

The Official Custodian for Charities
ACCOUNTS 2001–2002

Annual report 2001–2002 (Part 2)



THE OFFICIAL CUSTODIAN FOR CHARITIES ACCOUNTS

Foreword to Accounts

The Official Custodian for Charities (the Official Custodian) is, by virtue of section 2 of the Charities Act 1993, a corporation sole whose function it is to act as a custodian trustee for charities in respect of land or other property vested in the Official Custodian by an Order of the Court or the Charity Commissioners (the Commissioners). The Commissioners designate one of their officers to be the Official Custodian, and he performs these duties in accordance with the directions of the Commissioners.

The Official Custodian has the same powers, duties and liabilities as a custodian trustee appointed under section 4 of the Public Trustee Act 1906, except that he has no power to charge fees for his statutory services. The responsibility for managing charity property held in the name of the Official Custodian remains wholly with the managing trustees; the Official Custodian cannot exercise any powers of management.

Land and interests in land may be vested in the Official Custodian under section 22 of the Charities Act 1993. The primary advantage of vesting land in the name of the Official Custodian is that there is no further need for new deeds to be made when the trustees of the charity change. The Official Custodian cannot take part in managing land vested in him. Charity trustees keep all the powers and duties of management, and will account for the land (and buildings) in their own financial statements.

The only charity property, other than land, to be held by the Official Custodian is that which has been transferred to him by an Order of the Court or the Commissioners for the protection of the charity under section 18 of the Charities Act 1993. The primary aim of the Official Custodian, in respect of property entrusted to him for a charity's protection, is to safeguard that property until authorised to arrange its transfer to the managing trustees or their appointed representatives. When in the form of cash, it is either held in a current account at the Bank of England, or for more significant sums for a longer period in a deposit account there. When in the form of securities, the Official Custodian may sell any investments only on the instructions of the trustees or their appointed representatives. Where necessary, he uses stockbrokers for this purpose.

Future events

The Commissioners seek to make full use of their powers under the Charities Acts. In that context, there are plans to work with banks and other financial institutions to identify dormant funds and, where appropriate, to issue directions under section 28 of the Charities Act 1993 for transfers to be made to enable the funds to be utilised for charitable purposes. Although this work is not generally expected to involve the vesting of assets into the name of the Official Custodian, some increased activity in the functions of the Official Custodian from this initiative is anticipated for the forthcoming year.

Jonathan Thorne

The Official Custodian for Charities

John Stoker

Chief Charity Commissioner and Accounting Officer

24 May 2002

STATEMENT OF RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND THE OFFICIAL CUSTODIAN FOR CHARITIES

As the senior full-time official of the Charity Commission, the Chief Charity Commissioner for England and Wales carries the responsibilities of Accounting Officer. His relevant role and duties as Accounting Officer, including his responsibility for the propriety and regularity of public finances for which he is answerable, and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by Treasury and published in Government Accounting.

The Charity Commissioners have appointed the Official Custodian for Charities (the Official Custodian) under section 2(2) of the Charities Act 1993. Under section 2(6) of the Charities Act 1993, the Official Custodian is required to prepare a statement of accounts for each financial year. The financial statements are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the end of the year. In preparing the financial statements, the Official Custodian is required to apply, on a consistent basis, any accounting guidance given by the Treasury.

The Official Custodian is responsible for the propriety and regularity of the public finances for which he is answerable; and for the keeping of proper accounts. He must ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed, and all assets for which he is responsible are safeguarded.

Jonathan Thorne

The Official Custodian for Charities

John Stoker

Chief Charity Commissioner and Accounting Officer
24 May 2002

STATEMENT ON INTERNAL CONTROL

This statement is given in respect of the Receipts and Payments Account and Statement of Balances for the Official Custodian for Charities (the Official Custodian). As Accounting Officer for this Account, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. I carry out this responsibility in conjunction with the Official Custodian, who I have appointed under section 2(2) of the Charities Act 1993.

The system of internal control is framed in the context of the system of internal control for the Charity Commission (the Commission) and is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place by March 2003 necessary to implement Treasury guidance. This takes account of the time needed to embed the processes which the Commission has agreed should be established.

Development and maintenance of the system is undertaken by the Official Custodian in the context of the overall information and control systems of the Commission, for which I produce a separate statement on the system of internal control. This statement will be published with the Commission's Resource Account, and will detail actions taken and proposed in working towards a comprehensive system of internal control.

The Commission has internal auditors (Bentley Jennison) who operated to standards defined in the Government Internal Audit Manual, which from 1st April 2002 has been replaced by the Government Internal Auditing Standards. The work of the internal auditors is performed by an analysis of the risks to which the Commission is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Commission's Audit Committee and approved by me. At least annually, the internal auditors provide me with a report on internal audit activity in the department. The report includes their independent opinion on the adequacy of the Commission's system of internal control.

There is a rolling programme of internal audit for all aspects of the work of the Commission, including that of the Official Custodian. All procedures and internal financial controls operated by the Official Custodian are documented and a workshop is planned to develop this documentation to cover all aspects of internal control.

The Commission is in the process of assembling a risk register for all parts of the organisation and it is anticipated that there will be a separate section covering the risks associated with the Official Custodian. In the coming year, the Commission plans to introduce a programme of risk awareness training for all its staff, including those involved in the functions of the Official Custodian.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and of the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

John Stoker

Chief Charity Commissioner and Accounting Officer
24 May 2002

The Official Custodian for Charities

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages V to VI under section 2(7) of the Charities Act 1993.

Respective responsibilities of the Accounting Officer, the Official Custodian for Charities and Auditor

As described on page II, the Chief Charity Commissioner for England and Wales carries the responsibilities of the Accounting Officer, in accordance with Treasury direction. The Charity Commissioners have appointed the Official Custodian for Charities under section 2(2) of the Charities Act 1993. Under section 2(6) of the Charities Act 1993, he is responsible for preparing the financial statements in accordance with Treasury directions made under the Act and for ensuring the regularity of financial transactions. The Accounting Officer and the Official Custodian are responsible for preparing the Foreword on page I. The Accounting Officer is responsible for the statement on the system of internal control on page III. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements properly present the receipts and payments and statement of balances, and are properly prepared in accordance with the Charities Act 1993 and Treasury directions made thereunder, and whether in all respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements or if the Accounting Officer and the Official Custodian for Charities have not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page III reflects the compliance with the Treasury's guidance 'Corporate Governance: Statement on the System of Internal Control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer and the Official Custodian for Charities in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the accounts properly present the receipts and payments of the Official Custodian for Charities for the year ended 31 March 2002 and the balances held at that date and have been properly prepared in accordance with section 2(6) of the Charities Act 1993 and directions made thereunder by Treasury; and
- in all material respects, the payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
30 May 2002

National Audit Office

157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

The Official Custodian for Charities

RECEIPTS AND PAYMENTS ACCOUNT AND STATEMENT OF BALANCES

for the year ended 31 March 2002

Receipts and Payments Account

| | Notes | 2001/02 | | Total Funds £ | 2000/01 Total Funds £ |
|---|-------------------|-------------------------|-----------------------|---------------------|--------------------------------|
| | | Protected Funds £ | General Funds £ | | |
| Receipts | | | | | |
| From charities for protection | | 2,698.65 | | 2,698.65 | 1,774.85 |
| From disposal of investments | | | | | 3,668.70 |
| From investments | | | | | 13.10 |
| Total Receipts | | 2,698.65 | | 2,698.65 | 5,456.65 |
| Payments | | | | | |
| From protected funds | 3(b) | 21,292.79 | | 21,292.79 | 13,195.67 |
| Remitted to trustees | Capital Income | | (90.32) | (90.32) | 3,482.19 |
| | | | | | 13.10 |
| Total Payments | | 21,292.79 | (90.32) | 21,202.47 | 16,690.96 |
| Excess of (payments) over receipts | | (18,594.14) | 90.32 | (18,503.82) | (11,234.31) |

Statement of balances as at 31 March 2002

| | | | | | |
|---------------------|---|-----------|----------|-----------|-----------|
| Balance at 1 April | | 18,710.03 | 7,876.37 | 26,586.40 | 37,820.71 |
| Balance at 31 March | 3 | 115.89 | 7,966.69 | 8,082.58 | 26,586.40 |

Note 1: Basis of Preparation

In accordance with section 2(6) of the Charities Act 1993, the Account is drawn up in the form directed by the Treasury.

Note 2: Accounting Policies

The Official Custodian for Charities (the Official Custodian) has no funds of his own, other than monies ultimately accountable to the Consolidated Fund which are retained to meet unforeseen liabilities.

Since 11 December 1992, the Official Custodian has been divesting himself of investments and cash as directed by the Charity Commissioners under section 29 of the Charities Act 1992.

Investments held by the Official Custodian for more than one charity are registered in aggregated holdings in his name. Where an aggregated investment holding is held, the Official Custodian apportions dividends or interest payments received between the charities concerned.

Note 3: Funds Held

The funds held at the Bank of England are as follows:

| | Protected Funds Note (a) £ | 31 March 2002 | | 31 March 2001 |
|---------------------------|-------------------------------------|-----------------------------------|---------------------|---------------------|
| | | General Funds Note (c) £ | Total Funds £ | Total Funds £ |
| | | | | |
| • Deposit Account balance | 115.89 | | 115.89 | 18,710.03 |
| • Current Account balance | | 7,966.69 | 7,966.69 | 7,876.37 |
| Total Funds | 115.89 | 7,966.69 | 8,082.58 | 26,586.40 |

(a) The protected fund held in a designated interest bearing deposit account in the name of the Official Custodian consists of the following:

- Daneez Community Association £115.89

(b) £21,292.79 protected money released during this financial year represents the following:

- £18,971.16 remitted in respect of the Muslim Girls' and Young Women's Association.
- £2,321.63 remitted in respect of the Wildlife Rescue Centre.

(c) The current account also holds £ 7,966.69 general funds represented as follows:

- £659.09 as unpresented cheques issued to charities in respect of dividends on stocks held by the Official Custodian or liquidated stock.
- £7,307.60 as amounts awaiting identification of and distribution to charities holding liquidated stock.

Note 4: Properties Protected

The following properties are vested in the Official Custodian by an Order of the Charity Commissioners of 21 January 2002 made under section 18(1)(iii) of the Charities Act 1993:

- 25 Cranbourne Road, Leyton, in the London Borough of Waltham Forest, being the land registered under the Land Registration Acts 1925 to 1986 under Title number EGL 73203;
- 43 Spencer Place, Leeds, in the County of Yorkshire, being the land registered as aforesaid under Title number WYK 563551.

Note 5: Securities Held

Securities that are held by the Official Custodian are as follow:

- £40,000 6.5% Convertible Unsecured Loan Stock 2000/2005 Staflex International (in liquidation).
- £17,479 8% Partly Convertible Unsecured Loan Stock 1992/2002 Acrow plc (in liquidation).

These securities are excluded from the Statement of Balances, having an estimated market value of nil.

The Seal of the Official Custodian for Charities was affixed hereto in the presence of:

Jonathan Thorne

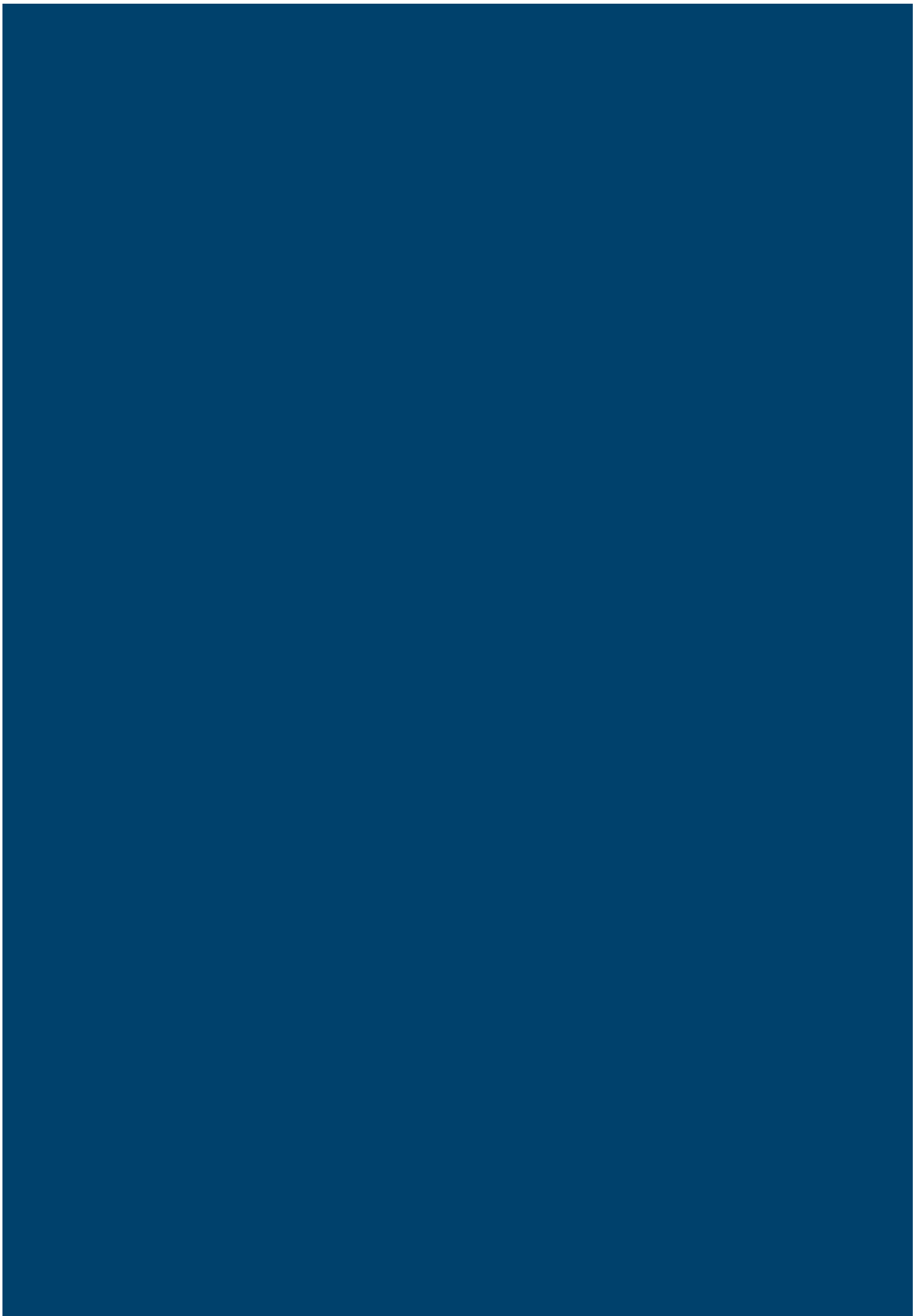
The Official Custodian for Charities

John Stoker

Chief Charity Commissioner and Accounting Officer

24 May 2002

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