

**The Official
Custodian for
Charities Accounts**

Annual Report 2004-05





Report of the Charity Commissioners for England and Wales for the year ending 31 March 2005

Presented to Parliament by the Secretary of State for the
Home Department in accordance with Section 1(5) of
the Charities Act 1993.

G PEACOCK CBE

Chief Charity Commissioner and Chairman

L DRISCOLL

D UNWIN

J WILLIAMS

T WOODCRAFT

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 Commissioners have appointed the Official Custodian under section 2(2) of the Charities Act 1993.

Under section 22 of the Charities Act 1993, 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. Although section 4 of the Public Trustee Act 1906 determines that all sums payable to or out of the income or capital of the trust property shall be paid to or by the custodian trustee, in practice (and within the provisions of section 4) the Official Custodian allows dividends and other income derived from the trust property to be paid to the managing trustees.

Land and interests in land may be vested in the Official Custodian under section 21 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 its 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. A webpage on the roles and responsibilities of the Official Custodian

has been published and can be viewed on the Commission's website www.charitycommission.gov.uk.

The Chief Executive of the Charity Commission (the Commission), as its senior full-time official, carries the responsibilities of Accounting Officer. He has overall responsibility for public funds in respect of all functions performed by officers of the Commission: this includes the Official Custodian. The Statement on Internal Control signed by the Accounting Officer in respect of the internal controls procedures and mechanisms for the Commission covers all the functions of the Official Custodian carried out on behalf of the Commissioners.

Jonathan Thorne
The Official Custodian for Charities
2 June 2005

Statement on the responsibilities of the Official Custodian for Charities for preparing accounts

Under section 2(6) of the Charities Act 1993, the Official Custodian for Charities (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 from time to time by the Treasury.

The Official Custodian is responsible 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. These responsibilities are established by a direction to the Official Custodian regarding his accounting responsibilities, issued by the Charity Commissioners (the Commissioners) under section 2(3) of the Charities Act 1993.

Statement on internal control relating to the functions of the Official Custodian for Charities

As the Official Custodian for Charities (the Official Custodian), I have responsibility for ensuring that a sound system of internal control is maintained to support the achievement of the policies, aims and objectives of the Charity Commission (the Commission) in respect of my duties.

The system of internal control maintained by the Official Custodian is set in the wider context of the system of

risk management for 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.

Risk management in the Commission 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.

Development and maintenance of the system is undertaken in the context of the overall information and control systems of the Commission, for which the Chief Executive of the Commission produces a Statement on Internal Control. This statement is published annually with the Commission's Departmental Resource Account, and details the Commission's capacity to handle risk, the risk and control framework and the Chief Executive's review of effectiveness and actions taken and proposed in maintaining a comprehensive system of internal control.

The Commission has internal auditors (Bentley Jennison) who operate to standards defined in 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 (including those associated with the Official Custodian functions), and annual internal audit plans are based on this analysis. The

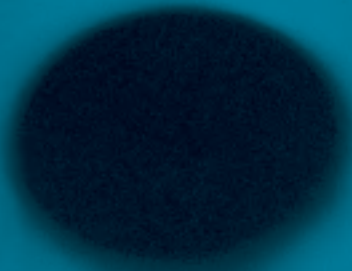
analysis of risks and the internal audit plans are endorsed by the Commission's Audit Committee and approved by the Chief Executive. At least annually, the internal auditors provide the Chief Executive with a report on internal audit activity in the department. The report includes their independent opinion 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 risk management procedures operated by the Official Custodian are documented. The Commission has assembled a risk register for all parts of the organisation and there is a separate section covering the risks associated with the Official Custodian.

Regular review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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.

Jonathan Thorne

The Official Custodian for Charities
2 June 2005



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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 6 to 8 under section 2(7) of the Charities Act 1993.

Respective responsibilities of the Official Custodian for Charities and Auditor

As described on page 3, the Official Custodian for Charities (the Official Custodian) is responsible for the keeping of proper accounts. The Charity Commissioners (the Commissioners) have appointed the Official Custodian under section 2(2) of the Charities Act 1993. He is responsible for the preparation of the financial statements in accordance with section 2(6) of the Charities Act 1993 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Official Custodian is responsible for preparing the Foreword on page 2. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments, 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 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 Official Custodian has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Charity Commission Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 3 reflects the Official Custodian's compliance with Treasury's guidance on the Statement on 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. I am not required to consider, nor have I considered, whether the Official Custodian's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the corporate governance procedures or risk and control procedures as framed within the context of the relevant procedures for the Charity Commission.

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, disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Official Custodian 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 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 financial statements properly present the receipts and payments of the Official Custodian for Charities for the year ended 31 March 2005 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 receipts and payments have been applied to the purposes intended and conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
9 June 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

The maintenance and integrity of the Official Custodian for Charities' website is the responsibility of the Charity Commission Accounting Officer. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**The Official Custodian for Charities
Receipts and Payments Account and
Statement of Balances for the year ended
31 March 2005**

Receipts And Payments Account

	Notes	Specific Funds £	Protected Funds £	2004/05 General Funds £	Total Funds £	2003/04 Total Funds £
Receipts						
From charities		1,528.87			1,528.87	
From charities for protection			8,500.00		8,500.00	59,749.53
From investments (interest)		28.37	2,880.12		2,908.49	1,383.33
Total Receipts		1,557.24	11,380.12	0	12,937.36	61,132.86
Payments						
Remitted to trustees	Capital Interest					4,987.56 45.41
Total Payments		0	0	0	0	5,032.97
Excess of receipts over payments		1,557.24	11,380.12		12,937.36	56,099.89
Statement of balances as at 31 March 2005						
Balance at 1 April 2004			71,341.56	7,966.69	79,308.25	23,208.36
Balance at 31 March 2005	3	1,557.24	82,721.68	7,966.69	92,245.61	79,308.25

Jonathan Thorne
The Official Custodian for Charities
2 June 2005

Notes to the accounts

Note 1: Basis of Preparation

In accordance with section 2(6) of the Charities Act 1993, the Accounts are 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 residual liabilities).

Since 11th 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 maintained, 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:

	31 March 2005			31 March 2004	
	Specific Funds Note (a)	Protected Funds Note (b)	General Funds Note (c)	Total Funds	Total Funds
Deposit Account balances	£ 1,557.24	£82,721.68		£84,278.92	£71,341.56
Current Account balance			£ 7,966.69	£ 7,966.69	£ 7,966.69
Total Funds	£ 1,557.24	£82,721.68	£ 7,966.69	£92,245.61	£79,308.25

(a) Specific Funds

- £540.50 of the Specific Funds held in an interest bearing deposit account in the name of the Official Custodian represent dividends and interest that belong to the Lady Elizabeth Hastings Estate Charity. They have arisen as a consequence of certain securities that were recently purchased by or on behalf of the Charity and registered in the name of the Official Custodian in error. The Charity's fund managers and the Registrars of those securities are in the process of resolving this.

The dividends are unsolicited receipts and they have been received by the Official Custodian, pending onward transmission. Under section 29 of the Charities Act 1992, the Official Custodian has been required to divest himself of investments and cash as directed by the Charity Commissioners. These receipts would not have been in conformity with the Charities Acts 1992 and 1993, had the Official Custodian retained these funds. Accordingly, the Official Custodian has transmitted the funds to the Charity.

- An amount of £997.27 was received in respect of £18,300 11.5% Convertible Unsecured Loan Stock 1998 issued by Espley Trust plc (in compulsory liquidation). The money has been placed in an interest bearing deposit account in the name of the Official Custodian and now amounts to £1,016.74. The identity of the Charity that owns the Loan Stock is as yet unknown.

Notes to the accounts (continued)

(b) The protected funds held in interest bearing deposit accounts in the name of the Official Custodian consisted of the following:

- Funds recovered in respect of various charitable causes £71,864.94
- Meadowlands Trust Limited £10,856.74

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

- £ 659.09 as unrepresented cheques issued to charities in respect of dividends on stocks held by the Official Custodian or liquidated stock.
- £7,307.60 awaiting submission of a Minute to the House of Commons pursuant to Government Accounting 2000 chapter 25 for transfer to an appropriate charity.

Note 4: Property protected

The following property is vested in the Official Custodian by an Order of the Charity Commissioners of 11th March 2005 made under section 18(1)(iii) of the Charities Act 1993:

Land at Flintham, in the County of Nottinghamshire, with the buildings thereon known as the Officers Mess and being the land registered under the Land Registration Act 2002 under Title number NT 171583.

Note 5: Land vested in the Official Custodian

As noted in the Foreword to the Accounts, land may be vested in the Official Custodian under section 21 of the Charities Act 1993. Some will be registered at the Land Registry, some not. A Land Registry search conducted in 2004 indicated that there were 3,603 parcels of land vested in the Official Custodian under section 21 with a value estimated to be in excess of £1 billion.

Vested land should appear on the balance sheet of the appropriate charity and does not appear in the Accounts of the Official Custodian. With greater automation of the records held by the Land Registry, we have been raising awareness of the need for trustees to look at registering any unregistered land and to check their land holdings periodically to help protect the charity against the risk of loss through adverse possession.

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

Jonathan Thorne

The Official Custodian for Charities

Boon Tong Yew

Authorised under section 2(4) of the Charities Act 1993

2 June 2005

Charity Commission

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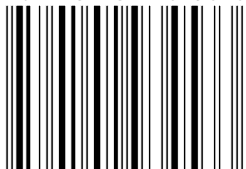
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