

Annual Report

2000 - 2001

Giving the public confidence in the integrity of charity

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**Report of the Charity Commissioners for England and Wales
for the year ending 31 March 2001**

Presented pursuant to the Charities Act 1993, s1(5)

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We have the honour to be,
Sir,

Your obedient servants

JSTOKER
Chief Charity Commissioner

MCARPENTER

DTAYLOR

JUNWIN

JWARBURTON

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1. The Charity Commission's Aim and Objectives

The Commission's aim: to give the public confidence in the integrity of charity.

The Commission's objectives

- 1. To ensure that charities are able to operate for their proper purposes within an effective legal, accounting and governance framework.**
- 2. To improve the governance, accountability, efficiency and effectiveness of charities.**
- 3. To identify and deal with abuse and poor practices.**

2. Introduction

Charities are a distinctive and cherished part of British life. They range from small groups meeting local needs with minimal resources to large professional bodies with billion-pound assets and budgets of many millions. The recorded gross income of registered charities excluding subsidiaries at 31 March 2001 was some £25.4 billion and their assets were approximately £70 billion. An essential requirement of charities is that they operate for the public benefit and independently of government or commercial interests.

The Charity Commission for England and Wales is the regulator of charities. In 2000/01 it had a net budget of over £21 million.

It employed around 540 staff in London, Taunton and Liverpool. Its legal duties include promoting the effective use of charity resources by encouraging better administration, giving information and advice to trustees, and investigating and checking abuses. It has adopted the aim of maintaining public confidence in the integrity of charity. It maintains a register of charities; routinely obtains and monitors accounts and reports from larger registered charities and makes them available for public inspection; authorises changes to the powers and constitutions of individual charities; and oversees controls on the disposal of land by charities.

3. Review of the Year

3.1 Spending Review (SR) 2000

In July 2000, Ministers agreed the bid that the Commission had made in SR 2000 for new work. After being capped at around £21 million for six years, the Commission's resources will increase to some £25 million in 2002/03 and £26 million in 2003/04.

The Commission's SR bid reflected the priorities of the Board for the development of the Commission and its work, namely:

- continuous improvement in customer service and in effectiveness, value for money and professionalism;
- responsiveness to the wider public interest;
- alertness to the developing needs and priorities of charities and their beneficiaries;
- a firm and decisive approach to enforcement and compliance work;
- a clear, continuing commitment to an enabling role;
- commitment to promoting best practice in charity administration and to seeking new ways to use the Commission's influence to bring about change and improvement; and
- commitment to improving the accountability and transparency of charities to beneficiaries and the public.

The new resources for 2002 onwards will allow the Commission to:

- increase significantly the amount it spends on remedying abuse and poor practice;

- double the number of charities that it visits, while improving the preparation, execution and follow up of visits, greatly increasing their monitoring value and impact on best practice;
- produce a new range of thematic reports assessing performance in the charity sector against current standards of best practice on key regulatory issues; and
- develop its IT to meet e-Government targets and to enhance the Commission's ability to analyse, use and disseminate information about charities.

3.2 Commission Development Programme

Preparing for a major expansion of activity from April 2002, involving growth of over 20% in one year, is a big challenge for the Commission and its staff. The Commission has adopted a rigorous project management approach to planning the changes. The arrangements have drawn in business reviews already planned under the Government's Better Quality Services initiative (including current reviews of outreach and education, advice and guidance, charitable status and the Commission's helplines).

The Commission has identified resources within existing budgets to allow the new initiatives to be piloted between late 2000 and April 2002, when the new funding becomes available. Preparations have concentrated closely on the human resources required. Allocating limited numbers of skilled and experienced staff between new and continuing core work will remain a concern for the Commission to 2002 and beyond.

3. Review of the Year

The Commission expects the development programme to lead to the implementation of new work and to review how the Commission will supervise the charity sector over the next 3-5 years. It intends to:

- continue seeking to ensure charities' compliance with legal and regulatory requirements by active monitoring and advice;
- sharpen its focus on areas of identified risk;
- develop services that are accessible and relevant;

- work with others to remove unnecessary regulatory burdens on charities, particularly small ones; and
- work with others to improve the performance and accountability of charities.

3.3 Commission Performance 2000/01

Despite the need to carry out this heavy programme of change management without any increase to its budgets for 2000/01, the Commission met 7 out of 11 targets set out in its Public Service Agreement. Of the remainder, 2 were missed by a margin of 5% or less.

Performance against objectives

Key Performance Information	1999/00	2000/01	
	Actual	Actual	Target
% of successful registration applications, on which advice was given	56%	53%	58%
Average turnaround time for determining charitable status (working days)	Not recorded	117 days	95 days
% of cases where legal authority was exercised which arose at the Commission's instigation	10%	10%	10%
% of cases where guidance was given on charity governance or administration, which arose at the Commission's instigation	10%	12%	10%
% of database entries complete and accurate*	89%	98%	88%
% of target group monitored	91%	91%	88%
Staff cost per charity monitored	£14.00	£12.73	£12.46
% of investigations completed within 12 months	68%	75%	75%
% of investigations where irregularity corrected	91%	90%	90%
Staff cost per investigation where irregularity corrected	£3,388	£4,257	£3,827
Average turnaround time for correspondence	8 days	9 days	15 days

* These results are from a sample of key database fields audited in August 1999 and July 2000.

This is a creditable performance in difficult circumstances by Commission staff. It was achieved despite high staff turnover and vacancy levels, particularly in London; a significant increase (35%) in demand-led support work from almost 26,000 cases in 1996/97 to over 35,000 in 2000/01; and a six-year freeze on the Commission's budget, equating to an efficiency saving over the period of 12.5%.

This performance was also achieved without damage to the high levels of customer satisfaction recorded in a NOP survey immediately before the start of the year. This found that 83% thought that the Commission did a fairly or very good job, while only 2% thought it did a fairly or very bad one. The survey included all types of Commission customers, including charities subject to investigation. Recent customer feedback for charity support work continues to show high levels of satisfaction.

3.4 Social Investment

In February 2000, the Chancellor of the Exchequer set up a **Social Investment Task Force** to explore ways of securing investment in locations and sectors of the community where there were needs which the market was not meeting.

The Commission contributed actively to the Task Force's work, emphasising that there was greater scope than was generally recognised for charities to fund social investment projects. Means of doing so may include not only grants, but also soft loans or guarantees, provided this would further the objects of the charity. Guidance is available on the Commission's website www.charity-commission.gov.uk, and the Commission has also agreed to look at what further part charities might play in organisations set up to channel financing to communities which suffer from underinvestment.

3.5 New Charitable Purposes

The Commission recognised both preservation and conservation and community capacity building as new charitable purposes following consultations under its rolling review of the interpretation of the law on charitable status (the "Review of the Register"). Other new charitable purposes recognised since the Review began in 1998 include the relief of unemployment and urban and rural regeneration.

3.6 National Audit Office Study

The **National Audit Office (NAO)** carried out fieldwork for a value-for-money review of Charity Commission work towards the end of the year and a report will be published in Autumn 2001. Since 1998, the Commission has sought to respond to concerns expressed by the Committee of Public Accounts by taking action aimed at:

- meeting more of its key business targets;
- significantly reducing the number of inactive charities on the Register;
- achieving higher rates for the submission of charities' accounts and annual returns;
- significantly improving the accuracy of the Register;
- introducing more stringent checks of trustee details at the point of registration;
- beginning work on risk profiling; and
- devoting more resources to its investigatory activity.

3.7 Registration

The Commission continued with the development of its “gateway” approach to **registration**, which is designed to focus applicants’ attention on issues of viability and good practice. The proportion of applications resulting in registration rose from 65% in 1999/00 to 73% in 2000/01. In November 2000, the Commission launched a new, streamlined application pack designed to make the process more user-friendly. Initial responses from customers have been favourable.

3.8 Advice and Information

3.8.1 SORP 2000

The Commission issued a new framework for **charity accounts and reports** (known as **SORP 2000**) in October 2000. The SORP (Statement of Recommended Practice), and the standards it sets, are extremely important, not only for the Commission’s supervision of charities, but also for charities’ accountability to stakeholders and the public. SORP 2000, which applies to all accounting periods starting on or after 1 January 2001, builds on the previous version of 1995. It encourages a more informative and less mechanistic approach to preparing annual reports and contains a number of detailed changes including a more rigorous requirement for the disclosure of grants made by charities. The SORP itself, with examples and explanatory guidance, is available on the Commission’s website.

3.8.2 Trusteeship

Following a public consultation, the Commission published advice in September 2000 reasserting that **trusteeship** itself should in principle continue to be voluntary rather than paid. The guidance, which includes advice to be followed where, exceptionally, payment is appropriate, can be found on the Commission’s website.

3.8.3 The Internet

The Commission’s **website** received over 6 million “hits” during the year, and the range and quality of the information available to and about charities continued to improve. The accuracy rate for data in the register of charities, which is available online, was measured at 98% in July 2000 by the Commission’s internal auditors, Bentley Jennison. In addition to adopting a new policy of publishing inquiry reports on its website, the Commission continued with its programme of publishing the operational guidance provided on a range of subjects to Commission caseworkers.

3.9 Monitoring

The Commission improved the submission rate by charities required by law to send in annual returns and accounts (those with income or expenditure over £10,000). In March 2001, the rate for all charities was 89% for the most recent completed accounting cycle, compared with 88% in March 2000. The figure for charities with income or expenditure above £250,000 (which account for 88% of the sector’s total gross income) was over 96% compared with 95% in March 2000.

The Commission “chases” charities which do not submit annual returns and accounts by the legal deadline (10 months from the charity’s financial year-end). It is committed to maintaining and extending its enforcement efforts. Since February 2001 a number of charities, which had failed to comply despite repeated reminders, have been publicly named on the Commission’s website.

3.10 Complaints and Reviews

In December 2000 the Board reviewed the progress of the pilot arrangements, which it had set up in January 2000 to test new procedures for dealing with complaints about the Commission’s standard of service,

and with requests for reviews of its decisions. The Board decided to maintain these arrangements and to continue to provide, on a permanent basis, scope for reference to an Independent Complaints Reviewer in cases where complaints could not be resolved by internal review. The pilot of these arrangements will carry on until December 2001, when permanent procedures will be established.

3.11 A New Form of Incorporation

The lack of a legal structure specifically designed for charities causes problems. For example, many charities are companies, which requires them to be registered under company law and charity law, and to submit accounts to both the Commission and Companies House. This causes duplication of effort and costs. The independent Company Law Review Steering Group has recognised that there is a need for a new incorporated legal structure for charities, the Charitable Incorporated Organisation. In connection with this, an Advisory Group has been set up by the Commission to produce recommendations as to the form of the new legal structure. The Commission hopes that it will be possible to take forward this initiative, which would provide charities with a tailor-made legal structure remedying current problems arising from dual regulation.

4. Maintaining the Framework

Objective 1: to ensure that charities are able to operate for their proper purposes within an effective legal, accounting and governance framework

4.1 Introduction

The Commission seeks to ensure that charities operate within a framework that enables them to work effectively for the purposes for which they were set up.

The Commission dealt with 8,157 applications in the year ending 31 March 2001 and there were 5,971 new registrations during this period. This represents an 8% increase over the previous year in the number of charities being successful in their applications.

Registration Performance	1999/00	2000/01	
	Actual	Actual	Target
Number of applications for registration processed	8,271	8,157	8,000
% of successful applications given guidance on governance/administration	56%	53%	58%
Average turnaround time for determining charitable status (working days)	Not recorded	117 days	95 days
Average time taken for preliminary assessment of application	Not recorded	9 days	15 days
Staff cost per application processed	£104	£106	£114

4.2 Registration

The Commission is committed to deciding on applications as quickly as possible while ensuring that decisions are taken on sufficient information. As the following two examples show, registration can be achieved very quickly in cases of exceptional urgency. A new performance target - to deal with applications in an average of 95 working days - was introduced in 2000/01. The average time for processing standard applications was 117 days, although when bulk applications and those for NHS and Armed Forces charities were included, the figure was 98 days. Over 69% of applications were processed within 95 working days.

The Arthur Rank Centre Addington Fund

In response to the growing crisis within the farming community brought about by foot & mouth disease, a charity was set up to relieve poverty suffered by those employed in agricultural and related industries throughout the UK. It was clear that a rapid response was required, and the process was completed in one week. The organisation was registered on 20 March 2001.

The Lewes Flood Appeal

Floods devastated many parts of the UK in October 2000. In one of these areas (Lewes, East Sussex), the local authority launched an appeal to help those who had suffered during the worst floods on 12 and 13 October.

The organisation was set up to offer financial assistance to those affected by the floods and other disasters, and it was evident that the organisation needed to be able to act quickly. Commission staff dealt with the registration application within 24 hours of receipt and the organisation was registered on 31 October 2000.

4.3 The New Registration Application Pack

Following public consultation, the Commission launched a new, streamlined registration application pack in November 2000 designed to make the process easier for customers to understand and complete. Initial responses from customers have been favourable and the application pack is now available on the Commission's website.

The Commission has no discretion to decline to register an applicant which can show that it is charitable in law. However, the registration process provides a unique opportunity for the Commission to work with promoters to ensure that the key elements for a well-run charity are present.

The Commission's current practice, therefore, is to treat registration less as a one-off event, than as a gateway to a lifelong relationship with a charity. This may involve asking for information designed to explore whether the governing document is workable; whether the trustees understand their duties and responsibilities; and whether financial issues have been understood. Increasingly, the Commission is asking

applicants whether they have considered working with an existing charity to avoid duplication of efforts and costs. The purpose of the gateway approach is not to restrict the number of charities being admitted to the Register, but rather to increase the likelihood that those that are admitted meet certain basic standards of governance.

While the proportion of applications resulting in registration rose during 2000/01 to 73% compared with 65% in 1999/00, it remains lower than before the introduction of the gateway approach in 1998. The Commission believes that this is acceptable to the extent that it arises from unviable applications being deterred, and from applicants concluding that they can achieve their ends more effectively by other means (including working through another charity). It would be cause for concern, however, if viable and worthwhile applicants were being discouraged. The Commission plans to research further, during 2001/02, the reasons why lapsed applications have not been followed through.

4.4 Trustee Checks

As part of the gateway approach, the Commission checks that proposed trustees of new charities are not disqualified. The sources used include:

- the list, maintained under the Protection of Children Act 1999, of those barred from working with children in educational and health environments;
- the DTI Insolvency Service, which lists undischarged bankrupts;
- the Commission's own Local Information Index, which lists trustees removed from charities (including Scottish charities); and
- Companies House.

4. Maintaining the Framework

Particular attention is paid to trustee checks where children and vulnerable groups are involved. The Commission is consulting during 2001/02 on whether and how it should change the way it collects and disseminates information about the trustees of **existing** charities.

4.5 Charitable Status: the Review of the Register

The law, not the Commission, determines what is charitable. While the Commission must work within the law, there is scope for interpretation in the light of changing social and economic circumstances. In 1998, the Commission launched a rolling review - the Review of the Register - to identify purposes which could now either be validly regarded as charitable, although they were previously not so regarded, or purposes which should now cease to be regarded as charitable.

During 2000/01, the Commission recognised two new charitable purposes following consultations under the Review. These were:

- promotion of capacity building in deprived communities; and
- preservation and conservation of the environment.

The Commission published guidance in two more general areas which can have a bearing on charitable status:

- the extent to which charities must be independent of central and local government, and of external control of other kinds; and
- the meaning of the legal requirement that charity must have a public character. This covered issues relating to the availability of benefits, the ability of charities to charge, and what incidental private benefit to individuals is acceptable.

The Commission launched two new consultations on:

- issues relating to charitable status for museums and galleries; and
- sport. While the law is clear that promoting sport in itself is not charitable, the consultation identifies when sport may be charitable (for example because it furthers education or meets special needs) and considers whether the promotion of health through sport should be accepted as a new charitable purpose.

All Review of the Register documents are available on the Commission's website. The results of the new consultations issued in 2000/01 will be published during 2001/02.

4.6 Excepted Charities

Around 100,000 charities are excepted from the need to register with the Commission. Some are excepted by the Charities Act 1993. This covers, for example, many smaller charities with annual income of £1,000 or less. Others are excepted by Regulations or Orders made under the Act. These include certain religious charities connected with particular Christian denominations, and charities connected with the armed forces. Excepted charities remain subject to the Commission's jurisdiction but unless they register voluntarily they are outside our monitoring programme and have to send us their accounts only if we specifically request them.

The Commission and the Home Office carried out a joint consultation during 2000/01 on whether, and on what basis, charities should be excepted from compulsory registration in the future. There was widespread agreement on the purposes of registration but a range of different views on the way forward. There was some

support for the proposition that exception would be justified if the purposes of registration were being met by other means. There was also concern that information should be publicly available about all charities, whether or not they were registered.

The Commission is working with the Home Office to develop proposals for the future, in the light of the consultation. In the meantime the Home Office has extended the exception (to 30 September 2002) for a number of charities which were affected by existing regulations due to expire on 1 March 2001.

4.7 Schemes and Orders

The Charities Act 1993 gives the Commission powers to act in certain circumstances in place of the High Court. In general it exercises this legal authority in two ways:

- to enable charities to update their constitutions; and
- to authorise transactions which are in the interests of charities.

Charities can find that the administrative structures provided in their governing documents become unworkable, or that social changes have made their original charitable objects no longer relevant or achievable. The Commission's role here is to make possible a change that will allow the charity's funds to be applied more effectively or allow the charity itself to be more effectively governed, while ensuring that the charity's governing document keeps faith with the spirit of its original trusts.

In addition to authorising administrative changes for a particular charity, the Commission uses its powers to facilitate mergers between charities where this will enable funds to be applied more effectively.

4.7.2 Enabling Powers for Specific Circumstances

The Commission is also often asked to authorise one-off transactions which the trustees judge to be in the charity's interests, but which are outside their own powers. Provided that the proposal is in the best interests of the charity, the Commission will issue an order to authorise the transaction.

Legal Authority Performance Results	1999/00	2000/01	
	Actual	Actual	Target
Number of times legal authority exercised	4,309	3,817	4,557
% of such cases which arose at the Commission's instigation	10%	10%	10%
Staff cost per legal authority exercised	N/A	£242	£243

4.7.1 Updating Charities' Constitutions

When it registers a charity, the Commission will ensure it has a relevant and workable governing document. However, over time some charities encounter problems in operating effectively on the basis of their original governing documents. The Charities Act 1993 gives the Commission powers to help charities with these problems.

Charities can gain financially from the Commission's exercise of legal authority. As a result of the exercise of legal authority by the Commission during 2000/01 an estimated £870 million of charitable funds could be applied in more effective ways.

The Wellcome Trust

The Wellcome Trust is one of the largest charities in the world with assets of around £14bn. The charity's constitution was complex, having been established by the Will of Sir Henry and supplemented by a number of schemes and orders made by the Court. These needed to be rationalised into a single modern document, to enable the trustees to carry out the charity's purposes more effectively and reduce administrative requirements. After consultation with the charity, the Commission made a scheme that fully modernised its purposes and enabled it to adopt governance and administration arrangements which were much more flexible and more appropriate to an organisation of this size.

London Board of Jewish Religious Education (LBJRE)

The Jews' Free School, founded in the 18th century, occupied a site in North London, but had outgrown its available space. A new site had been found before it came to light that the existing site was owned by the London Board of Jewish Religious Education, a dormant charity. The new school was part of a £40m project and had a tight timetable set by the Private Finance Initiative. The Commission made an urgent scheme to enable the project to proceed. It also reconstituted the LBJRE so that it could begin to operate again, with a trustee body comprising the representatives of two major Jewish charities (the United Synagogue and the Federation of Synagogues). The Commission vested land in the Official Custodian for Charities, saving the charity costs, and authorised the trustees to give the necessary guarantees for the Private Finance Initiative agreement to go ahead.

4.8 Investment Powers

The Trustee Act 2000 came into force on 1 February 2001, replacing the Trustee Investment Act 1961. As a result, many more charities now have available an extremely wide general power of investment. The Commission warmly welcomes this development, which presents an opportunity and a challenge to many charity trustees to replace existing investments with those offering better levels of return or growth at acceptable levels of risk. In addition, trustees are given new powers to appoint agents (in particular in relation to investment management) and to appoint nominees and custodians.

The Commission has published a booklet summarising the Act's provisions affecting charity investments and statutory guidance on the appointment of nominees and custodians. Reflecting its commitment to open government, the Commission's detailed operational guidance for its own staff has also been published.

A consultation on how the Commission could, in addition, use its powers to help charities with permanent endowment (that is, property which has to be invested and cannot be directly applied for the charity's purposes) to adopt more effective investment strategies was completed on 31 October 2000.

Normally, charities with permanent endowment must comply with fixed rules of trust law which determine how investment returns are to be allocated between income and capital. These rules are intended to achieve a proper balance between the interests of future and present beneficiaries of a trust, but now arguably lack the flexibility to achieve that purpose. The Lord Chancellor has invited the Law Commission to review these rules and "to examine the rights and duties of charity trustees in relation to investment returns on a charity's permanent endowment".

The Charity Commission has been considering how it can help individual charities in the interim. It has announced that it will use its powers, on a case by case basis, to enable charities with permanent endowment to allocate the returns received from investments in a more flexible way. This will enable them to balance the interests of present and future beneficiaries without the investment constraints which are a consequence of the need to follow the standard trust law rules. This should enable trustees of many charities to make better use for their beneficiaries of the new investment powers conferred by the Trustee Act 2000.

5. Monitoring Charities

Objective 2: to improve the governance, accountability, efficiency and effectiveness of charities

5.1 Introduction

Section 4 described how the Commission seeks to provide an effective governance, legal and accounting framework for charities. This section describes how the Commission monitors the compliance of charities within that framework.

5.2 Keeping the Register Up-to-date and Accurate

To underpin its supervision of charities, the Commission collects information about all registered charities, whatever their size, to keep the information on the public register

The accuracy of the information on the register is critical for charities' accountability. Charity trustees have a legal duty to inform the Commission about certain changes in their charity's circumstances - for example if there are changes to its trust or if it ceases to exist. Each year the Commission sends each registered charity a form, which it can use as an easy means of complying with the legal obligation to update its register details. The Commission sets targets for the collection of this information. In 2000/01 it processed some 130,000 completed forms and made a further 24,000 changes of which it was notified in other ways.

Obtaining returns and database update information*: results for the last 2 monitoring cycles	as at 31/3/2000	as at 31/3/2001	
	% Received	% Received	% Target
Charity Income			
Over £250,000	95	96	100
Between £100,000 and £250,000	91	92	92
Between £10,000 and £100,000	88	89	85
Under £10,000	81	84	80

* the figures represent the number of charities within each income bracket which have submitted either an annual return or a database update form.

up-to-date. It also collects and scrutinises annual accounts and returns from larger registered charities with annual gross income or expenditure above a threshold set by Parliament in Regulations. This threshold is currently £10,000 a year. The charities obliged to submit annual returns and accounts numbered almost 58,000 in 2000/01. Those below the threshold, although they numbered over 102,000, accounted for no more than 1.6% of total charities' gross income. Subsidiary charities are included with their main charities.

The proportion of charities for which updated information is collected is one important measure of the register's accuracy. In addition, the Commission has arranged for its internal auditors to conduct a regular audit of accuracy of fields within the register on a similar basis to that used by the National Audit Office in its 1997 report. An audit in July 2000 indicated that action taken by the Commission to investigate and resolve accuracy problems in register entries had increased the completeness and

accuracy rate of key database fields to 98% compared with 89% in August 1999. The Commission has been working to improve this rate further.

5.3 Identifying Inactive Charities

Charities may sometimes become inactive without the Commission being informed, and this can detract from the accuracy of the register. The Commission set up a special project in 1999 to investigate why charities which had not updated their register details for four years had failed to do so. At the end of March 2001, of the 18,800 charities originally identified as being inactive, just over 700 were still being followed up by the team. The remainder had either been removed from the Register or were confirmed as still being active.

1,000 charities were referred to specialist units within the Commission for advice or action.

The three most common issues identified for further consideration during monitoring were trustee benefits, charities' relationships with commercial subsidiaries and fundraising.

In 2000/01, the Commission also checked over 20,000 sets of accounts for compliance with the Statement of Recommended Practice for Charity Reporting and Accounts (the SORP). Of these, 26% failed some aspect of the check. Most of these failures were caused by the insufficiency or absence of an independent examiner's or auditor's report (1,798), or a trustees' or directors' report (1,427).

Monitoring Results	1999/00	2000/01	
	Actual	Actual	Target
Number of charities monitored	53,760	50,476	48,780
% of target group* monitored	91%	91%	88%
Staff cost per charity monitored	£14.00	£12.73	£12.46

* target group - charities with an annual income of over £10,000

5.4 Annual Returns and Accounts

The Commission aims, in its monitoring, to spot problems in individual charities as early as possible. The Commission carries out standard checks on all the annual returns and accounts submitted by charities above the £10,000 monitoring threshold. The questions in the annual returns have been developed, with the help of charities themselves, to cover those areas which cause charity trustees most problems and thus assist the Commission in identifying areas of risk.

The accounts of 340 or so charities which have a gross income over £10 million were individually examined by the Commission's accountants. Issues arising from a further

Where charities continue to file incorrect accounts, the Commission will be requesting either corrected accounts or detailed explanations for non-compliance from trustees and their auditors/examiners. The Commission is also reviewing its education and outreach programme to ensure information on recommended practice is targeted effectively.

Monitoring is high in the Commission's priorities and during 2001/02 it will be the subject of a Better Quality Service review.

5. Monitoring Charities

5.5 Enforcing Submission

The Charities Act 1993 requires charities to submit annual returns and accounts to the Commission, and to do so within 10 months of their financial year-end. The majority of charities submit on time, but too many are still failing to do so. This is unacceptable, given the clarity of the legal duty involved and the central importance of annual returns and accounts for charities' accountability to the Commission and, via the register of charities, to the public.

The Commission has an enforcement team, which currently pursues overdue annual returns and accounts for charities with an income of £100,000 or more. During 2000/01, some 1,860 charities were referred to the team for failing to comply.

Within this initiative, the Commission has substantially increased the pressure on charities which are failing to meet their

reporting obligations and is committed to securing further improvements in timely compliance. Where enforcement activities show the need, the Commission is prepared to use the full range of its powers against persistent defaulters. Failure by a charity to comply may be a symptom of wider governance and systems problems, and the use of the Commission's inquiry and protection powers may be appropriate. In February 2001, for the first time, the Commission published the names of persistent defaulters on its website.

It is an offence for trustees to be in persistent default without reasonable excuse in relation to requirements for the submission of annual returns and accounts. At the end of 2000/01, the police and Crown Prosecution Service were looking at the first test cases referred to them by the Commission for consideration for prosecution.

Accounts received by the Charity Commission as at 31/3/2001

Charity Income	Accounts with financial year ends between 28/2/1998 - 27/2/1999	Accounts with financial year ends between 28/2/1999 - 27/2/2000
Over £250,000	98%	97%
Between £100,000 and £250,000	97%	92%
Between £10,000 and £100,000	88%	87%

Enforcement Unit Results (against total referred)	1999/00	2000/01	
	Actual	Actual	Target
% of annual returns obtained within 1 month of referral to Enforcement	57%	55%	50%
% of annual returns obtained within 3 months of referral to Enforcement	79%	89%	75%

5.6 Visits

Since the Commission's **visiting programme** was introduced in 1997, over 1,200 charities have been visited. The Commission carried out 315 visits during 2000/01.

During 2001/02, the Commission plans to carry out 150 new-style **review visits** as a pilot for the full programme of 600 such

visits in 2002/03 for which additional funding was secured under SR 2000 (see section 3.1 of "Review of the Year"). These review visits are more resource-intensive than those in past years. They will be better prepared and followed up, and should greatly increase the monitoring value and impact on best practice of the visiting programme.

Visits	1999/00	2000/01	
	Actual	Actual	Target
Number of visits conducted	321	315	315
% of visits which resulted in guidance on governance or administration, or in the exercise of legal authority	100%	100%	95%

6. Advice and Guidance

Objective 2: to improve the governance, accountability, efficiency and effectiveness of charities

6.1 Introduction

This chapter describes how the Commission seeks to underpin its supervision of charities by making available the advice and guidance that charities and the public need about the legal and financial framework within which charities must operate.

6.2 Helplines

Giving advice is a heavy call on the Commission's resources, and it aims to operate in the most economical way possible. This involves trying to deal with as many queries as possible using standard material published on the website or in hard copy. **Helplines** are available and, following a Better Quality Service review in 2000/01, are now accessible via a single telephone number (**0870 333 0123** - all calls

the new Registration Pack, the Commission produced six more booklets in the Review of the Register series and continued to extend its range of publications available in Welsh. A full list of publications currently available is given in booklet **CC1** (Charity Commission Publications) and on the website. A list of those issued or revised in 2000/01 is shown at **Annex B**.

6.4 Commission Website (www.charity-commission.gov.uk)

The Commission's **website** has become a mainstay of its communications with charities and the public. The site includes the full range of the Commission's advisory publications, along with full documentation on the Review of the Register, other policy and consultative documents, news and answers to frequently asked questions. As

Publications	1999/00		2000/01	
	Actual	Target	Actual	Target
Number of new or substantially revised Commission guidance booklets issued	8	7	17	7
Number of other Commission guidance booklets revised	35	30	21	30

are charged at National Rate). In 2000/01 the Commission dealt with over 155,000 calls to its helplines. The Commission is planning to move towards a 'contact centre' approach to deal with many simple enquiries.

6.3 Publications

During 2000/01 the Commission has added twelve new and five substantially revised **publications** to its range. These are almost all available in both hard copy and from the Commission website. In addition to the leaflets on SORP, the Trustee Act 2000 and

part of its commitment to open government, the Commission continued during 2000/01 with its project to place on the site the operational guidance that it provides to staff on key issues of charity policy, law and practice. The year's releases included guidance on reserves, human rights and data protection.

In 2000/01 there were over 6 million "hits" on the site, compared with just over 3 million during 1999/00. The most popular part of the site was the online **register of charities**, with over 1 million hits.

6.5 Direct Advice

The Commission's staff gave written advice to some 21,000 individual charities during 2000/01. This advice was designed to promote good governance and the effective administration of charities and covered a very wide range of legal issues, best practice and compliance with various regulations. Topics dealt with included guidance on political activities; standards of governance, including the relationship between the Chair, trustees and employees of a charity; delegation of responsibility; and interpretation of governing documents.

6.6 Outreach and Education

The Commission's **outreach and education programme** consisting of seminars, presentations and surgeries, is a means of raising awareness of good practice and potential pitfalls among trustees, and in particular new trustees. In 2000/01, in conjunction with national and local umbrella bodies, the Commission organised 129 external events, against a target of 54. A total of 5,541 people attended.

Guidance	1999/00	2000/01	
	Actual	Actual	Target
Number of cases where guidance was given on governance or administration	21,849	21,549	20,000
% of such cases which arose at the Commission's instigation	10%	12%	10%
Staff cost per guidance case	N/A	£81	£84

7. Evaluations and Inquiries

Objective 3: to identify and deal with abuse and poor practice

7.1 Introduction

A great deal of the Commission's time and resources are devoted to identifying and resolving problems with individual charities at an early stage. Where, despite the Commission's best endeavours, abuse and poor practice cannot be prevented, the Commission is committed to acting promptly and decisively to deal with them. In its SR2000 bid the Commission gave high priority to the prevention and detection of weaknesses in the governance of charities. Of the additional funds secured from 2002/03, £1million a year (some 20%) has been earmarked directly for the Commission's work on remedying abuse and poor practice.

7.2 Deciding When to Investigate a Charity

Allegations of mismanagement and misconduct arise from a variety of external sources, and the Commission's own monitoring of charities and scrutiny of their accounts can also reveal causes for serious concern.

Initially, the Commission conducts a preliminary evaluation of the evidence. This may include gathering further information and is a quick and cost-effective way of identifying problems which can be resolved by giving advice. Consequently, investigation activity can be concentrated where it will have the most impact. The Commission has a target of completing each evaluation process within two months.

Evaluations results	1999/00	2000/01	
	Actual	Actual	Target
Number of evaluations completed	1,312	1,152	1,130
% of evaluations completed within 2 months	82%	77%	80%

Outcomes from evaluations	1999/00	2000/01
No significant cause for concern	53%	51%
Concern cleared by the evaluation process	30%	34%
Inquiry opened	17%	15%

7.3 Inquiries

Staff conducting inquiries are trained in interviewing techniques and evidence acquisition, and have a sound knowledge of charity law and accounts. They have professional support from the Commission's lawyers and investigative accountants. They work in conjunction with the police, other Government departments, including Inland

Revenue and Customs & Excise, and other agencies such as local authorities.

The Charities Act 1993 gives the Commission a variety of powers to protect charity assets and to acquire documents and information, including from third parties such as banks or building societies. During the period of this report, the protective powers were used on 251 occasions.

Inquiry Results	1999/00	2000/01	
	Actual	Actual	Target
Number of inquiries completed	255	212	225
% of inquiries completed within 12 months	68%	75%	75%
% of inquiries where irregularity corrected	91%	90%	90%
Amount directly protected	£25.4m	£28.5m	£24m
Staff cost per inquiry where irregularity corrected	£3,388	£4,257	£3,827

Analysis of protective powers exercised	01/01/99 – 31/03/00	2000/01
Bank account frozen	39	39
Orders restricting transactions	32	10
Orders and directions requiring information/documents	197	149
Receivers & Managers* appointed	2	7
Trustees removed	5	4
Trustees suspended	9	21
Trustees appointed	5	8
Directions to attend meetings	35	22
Other orders	9	1

* temporary managers appointed by the Commission to manage in place of a charity's trustees.

7. Evaluations and Inquiries

Analysis of the inquiries closed during the period of this report shows that deliberate malpractice accounted for 24% of cases,

fund raising problems accounted for 22% and maladministration accounted for 43%. Details are provided in the table below:

Inquiry Issue	Number of Inquiries closed
Malpractice	51
Fund raising problems	46
Maladministration	92
Others	23
Total	212

Some examples of the work carried out by the Commission's Investigation Division are shown below:

Breakaway Trust

Breakaway Trust was a small charity established to provide holidays and similar facilities for children with disabilities and those suffering deprivation in the North West of England. Concerns arose about fundraising activities and the extent of charitable benefit actually delivered. The charity had entered into a fixed-term agreement with a professional fundraiser who continued to raise funds using the charity's name after the agreement had expired. The main source of income was the sale by the fundraiser of the charity's Breakaway magazine. The Commission found that the charity had failed to comply with the fundraising regulations under Part II of the Charities Act 1992 by allowing fundraising to continue after the relevant agreement had expired, and had failed to disclose, in its magazine, that part of its sale proceeds were to be retained by that fundraiser. It had also used the magazine to advertise the business interests of one of the trustees and incorrectly stated in its return to the Commission that it did not employ a fundraiser. In addition accounts had not been audited as required by its constitution. The trustees were unable to

Breakaway Trust - *continued*

satisfy the Commission's concerns and have agreed to wind up the charity and transfer remaining assets to a similar charity. The charity will be removed from the register.

The Schreib Trust

In April 2000, the Commission became concerned about this London-based charity's investments of approximately £3m in connected companies. The main concerns were that:

- the loans might not have been made in the best interests of the charity;
- there was inadequate security for the loans;
- the trustees were failing in their general duty to expend income for the purposes of the charity; and
- the trustees had not obtained prior authorisation to make the loans as required by section 26 of the Charities Act 1993.

As a result of the inquiry, all loans have been repaid in full.

7.4 The Investigations Review

The Commission carried out an internal review of its investigation procedures and systems during 2000/01. The review identified a number of significant changes, which were put into effect through a new manual for investigations staff issued in October 2000. As well as codifying current best practice, the new manual introduced a clearer and stronger system of case planning

and reviewing; formal risk assessment as the basis for initial decisions on priority and handling; monthly case reviews by managers; and clearer requirements for specifying and tracking follow-up action by trustees. The Board decided that, for the first time, brief reports on investigations should be published on the website, giving an account of the issues of the case, the action taken and wider lessons learnt.

The Guild and College Estates

The Guild Estate and College Estate, based in Stratford-upon-Avon, are charities that were founded in the sixteenth century and derive income from substantial land holdings. The local town council was trustee of both charities, which have similar purposes for the benefit of residents of the town, including the relief of poverty and sickness, the advancement of education and the provision of recreational facilities. One of the charities had a requirement that 36% of its income be applied for the town's boys' grammar school.

Charity income should not be used to replace local authority expenditure, which should be paid for out of taxes or other public funds. As sole trustee, the town council had a duty to act exclusively in the interests of the charity. In practice, over the years, the town council had used the income of the charity to subsidise its own running costs and allowed the

The Guild and College Estates - *continued*

income of the charities to become mingled with the Council's own funds. There were further failures on two occasions, to produce satisfactory accounts, and to properly identify funds arising from sales of property belonging to the charities. The Commission's inquiry concluded that the town council should relinquish its trusteeship of the charities. This was agreed with the Council, which resigned its trusteeship voluntarily.

Financial arrangements had become entangled so that, for example, a significant proportion of council staff were employed on charity business. At the earliest realistic opportunity a new trustee body will be established to operate the charities independently of the council. A scheme of the Commissioners will be needed to accomplish this, and it is expected to be published later this year.

Rugby League Foundation

The Rugby Football League is the governing body of the professional game of rugby league. In 1988 the League established the Rugby League Foundation with a donation of £50,000 to provide facilities for the physical education of young people through the playing of rugby league and other sports. The Foundation became a registered charity in 1989.

Following approaches from both the Foundation and the League, an inquiry was opened in 1998 to examine the relationship between the two organisations. The charity had operated with funds obtained primarily from the League until 1991 when the League informed the trustees that no more funds would be forthcoming. Trustee meetings ceased as the trustees thought that the charity had been wound up. However, the League continued to fund the charity and operate it itself. Although it was clear that the League had acted at all times in good faith, some of the funds (amounting to £550,000) were applied for non-charitable purposes and the League had operated the charity outside its charitable objects. The League readily agreed to reimburse the charity with all funds applied outside the charity's trusts with a further agreed sum in lieu of interest (£735,000).

Roy Castle Lung Cancer Foundation

The charity was inspired by the entertainer Roy Castle, who died of lung cancer, which he believed to have been caused by passive smoking.

In 1999, the trustees of the charity approached the Commission with concerns over possible administrative irregularities they had identified within the charity and which they had instructed their auditors to report on. The Commission instituted an inquiry to examine the general administration and governance of the charity, and to look into events leading up to the resignation a few months earlier of the charity's chief executive.

The inquiry found evidence of insufficient control over charity expenditure, and of personal benefits to the chief executive. Undertakings were given for the repayment of funds that were used for personal benefit by the chief executive.

The case illustrates the need for trustees to ensure that appropriate management and financial systems are in place, and that a culture of observance exists within their charity. The trustees and employees have shown a willingness to tackle the other issues identified.

The Trust of St Michael the Archangel and The St George Educational Trust

Newspaper reports appeared in August 1999 about these two related charities and their possible association with The International Third Position (ITP), an organisation known for its extreme political views. It was clear that one of the charities had operated from the same address as ITP, and that funds had been used to renovate property in a village in Spain where that organisation was known to be active.

While the trustees claim that these links are coincidental, the only reasonable conclusion is that a close association exists between the charities and ITP. The Commission published this and other interim conclusions on its website in September 2000.

While the Commission's investigation did not confirm expenditure outside the charities trusts, it found that financial and internal management controls were weak. The Commission has indicated how these weaknesses should be addressed, has taken enforcement action in relation to overdue accounts and continues to monitor issues with the charities.

8. Governance

8.1 Legal Constitution and Powers

The constitution and proceedings of the Charity Commissioners are governed by section 1 of, and the first schedule to, the Charities Act 1993. Under the Act, the Commissioners have the general function of promoting the effective use of charitable resources by encouraging the development of better methods of administration, by giving charity trustees information or advice on any matter affecting the charity, and by investigating and checking abuses. Some of the powers exercisable by the Commissioners under the Act are also exercisable by the Court.

8.2 Accountability

The Chief Charity Commissioner is the Accounting Officer for the department, and is accountable to Parliament for the proper use of funding agreed and provided by HM Treasury. The Chief Commissioner is also responsible for the accountability of the Official Custodian for Charities. Both the departmental accounts and the accounts of the Official Custodian are required to be audited by the National Audit Office annually and reported to Parliament. The Official Custodian for Charities Accounts are reproduced in Appendix C of this Report. Departmental accounts are published separately by HMSO.

8.3 Internal Governance

8.3.1 The Commissioners

There must be between three and five Commissioners (currently there are five), all of whom are appointed by the Home Secretary. Two Commissioners must be legally qualified. The Chief Charity Commissioner is John Stoker, and the executive Legal Commissioner is Michael Carpenter. The remaining three

Commissioners are non-executive, and their appointments reflect important aspects of the charitable sector. Professor Jean Warburton of the University of Liverpool is the second legally qualified Commissioner required under the Act. Julia Unwin OBE has long experience in the charitable sector itself, as does David Taylor (Accounting Commissioner) who also has business and accountancy experience.

8.3.2 The Board

The Board consists of the Commissioners plus three executive Directors. In 2000/01 Richard Carter was Director of Policy, Bill Richardson was Director of Resources and Simon Gillespie Director of Operations. The Board met formally about twice a month.

8.3.3 Role of the Board

The Board is responsible for the strategy and future direction of the Commission. Where business can be properly transacted within the management line without the need for strategic guidance, it is dealt with there rather than by the Board.

The focus of the Commissioners is on governance, whilst the directors concentrate on management and delivery. The Chief Commissioner and the executive Legal Commissioner provide the link between the two. When the Commissioners exercise quasi-judicial powers themselves, decisions are taken by the Commissioners rather than the full Board.

8.3.4 Audit Committee

The Audit Committee is a sub-committee of the Board. Its purpose is to give advice to the Accounting Officer (the Chief Commissioner), on the adequacy of audit arrangements (internal and external), and on the implications of assurances provided

in respect of risk and control in the Commission. Its standing members comprise the Chief Commissioner, the Accounting Commissioner, and the Directors of Resources and Operations. It is also regularly attended by the Head of Internal Audit (from the Commission's internal auditors, Bentley Jennison), the NAO Director responsible for regulatory audit, and also the Commission's Head of Finance. The Audit Committee meets twice a year.

8.3.5 Other Committees

The three executive Directors each operate formal decision-making and monitoring groups comprising their own senior staff, plus representatives of other key parts of the organisation. In addition, the Director of Operations is supported by three Regional Operational Managers. The Commission Development Steering Group is comprised of the five full time members of the Board. It has responsibility for the strategic oversight of the new initiatives arising from the 2000 Spending Review (see section 3.2).

8.4 Management of Risk to Public Confidence in Charity

Under the guidance of the Board, the Commission has been carrying out work to produce a framework for managing the risks to the achievement of its principle aim - to ensure public confidence in the integrity of charity. The high-level framework can be viewed on the website. This initiative has its origins in the Turnbull report, which produced guidance on internal controls, and is a key component of effective corporate governance. In considering risks to public confidence, it is important to remember that there are things the Commission cannot do:

- it does not have the power to make or change legislation;
- it is not a prosecuting authority;

- it is not the supervisory authority for fundraising on the streets and elsewhere;
- it does not have power to administer a charity nor interfere with the day to day running of a charity in normal circumstances;
- it cannot object to trustees on grounds beyond the very limited ones laid down in section 72 of the Charities Act 1993;
- its responsibilities in respect of exempt charities are very limited;
- it does not give accreditation to a charity through registration.

To establish a formal risk management system within the Commission, consideration has been given to the following:

- the role and responsibilities of the Charity Commission;
- key risks to achievement of the primary aim;
- the consequences if risks are not adequately managed;
- the control and mitigation of risk.

9. Managing the Commission

9.1 Introduction

The Commission continues to invest in developing how its business and people are managed. Its priorities have included meeting commitments to the Modernising Government/Civil Service Reform Action Plan and the reform of its accounting systems to meet new requirements for Resource Accounting and Budgeting.

9.2 Finance

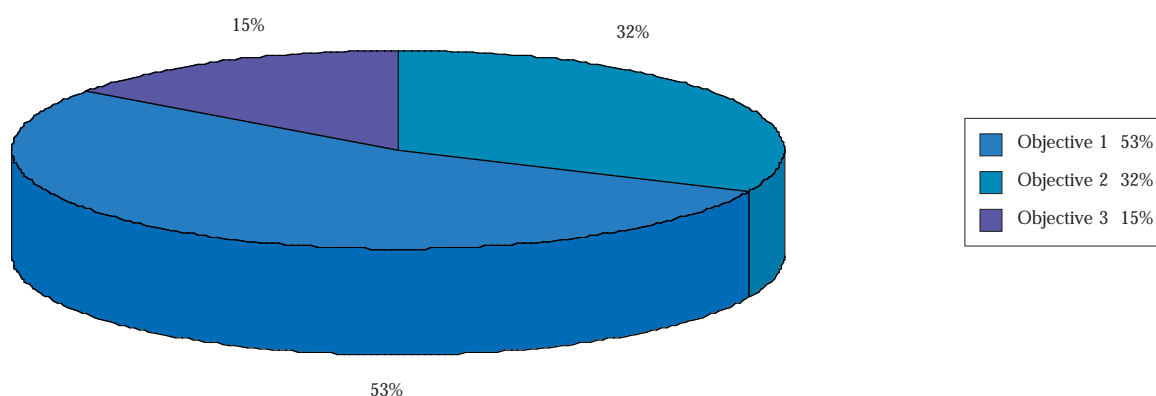
2000/01 was the penultimate year of a six-year period in which the Commission's core budget has remained fixed in cash terms at £21.3 m (a reduction in real terms over this period of 12.5%). Core expenditure in the year was also £21.3m. Savings from previous years will be utilised primarily to fund development projects, preparing the Commission for new work being taken on from 2002/03 under its 2000 Spending Review settlement with the Treasury.

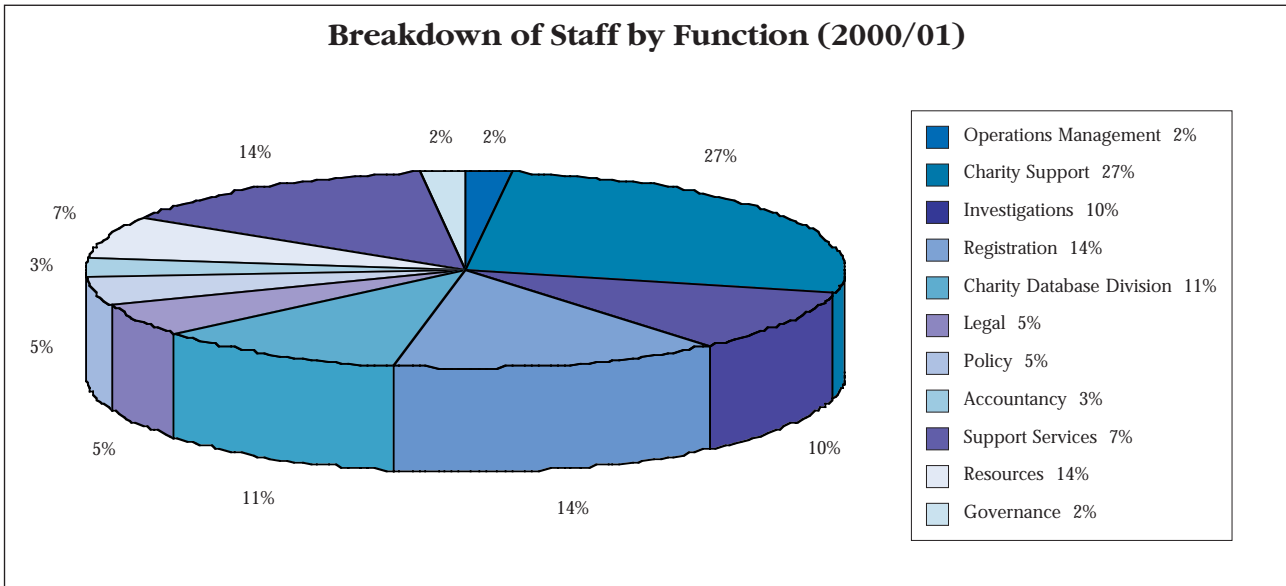
The 2000/01 financial year is the final one for which the Commission will prepare an Appropriation Account. In parallel with this, the Commission is now also producing Resource Accounts. These were published separately for 1999/00 by the Stationery Office (Ref. HC 191), as will be the accounts for 2000/01. In future years, the Commission aims to publish its Resource Accounts with its Annual Report.

The Commission continues to develop its business planning capability in line with Modernising Government requirements, and also its systems for allocating and monitoring use of resources against performance on targets and objectives.

During the year the Commission employed 547 staff across its three offices. Allocation and deployment of resources was as follows:

Breakdown of Staff Numbers by Commission Objectives (2000/01)





9.3 Human Resources

In April 2001 the Commission published its Vision and Values Statement (see **Annex A**). The Statement was developed by the Board, following full consultation with staff, and describes the contribution the Commission would like to make to the development of the charitable sector. It also describes the culture it wants to promote within the Commission.

Since achieving official recognition as an Investor in People in November 1999, the Commission has continued to review and refine its training and development systems and procedures to ensure that they link directly to business objectives and plans.

Initiatives during the year included the design of a new management competency framework and the launch of a Management Development Programme in partnership with the Civil Service College. This has been supplemented by new job shadowing and mentoring schemes to support the personal development of staff.

The Commission's staff appraisal system has been substantially reshaped to sharpen its focus on performance and development and also to make it easier to operate. The pay

system was also reformed to enable a better fit with business needs, in line with Civil Service Reform commitments.

Internal communication arrangements have been strengthened and include new team briefing provisions throughout the department.

The Commission has introduced a diversity strategy which seeks to provide a working environment that is free from discrimination, harassment and victimisation; where everyone receives fair and equal treatment unrelated to effective performance in their job; and also where different perspectives and skills are harnessed and made full use of. A two-year action plan - with targets - has been produced to take this work forward. The following table shows all staff appointed between 1 April 2000 and 31 March 2001. Information on ethnic origin is given by applicants on a voluntary basis and the return rate is approximately 97%.

9. Managing the Commission

Pay Band	Total Number of Appointments	Permitted Exceptions to Fair and Open Competition	Number of Female Staff	Staff of Ethnic Origin	Staff with Disability
1	32	3	17	3	1
2	39	6	27	3	2
3	37	7	20	3	0
4	6	0	2	1	0
5	2	0	1	0	0
6a/SCS	5	0	3	0	0
Total	121	16*	70	10	3

* Included in the exceptions are 7 casual appointments to cover for short term needs and 9 appointments under the Government's New Deal initiative, 3 of whom have since been appointed to permanent positions through fair and open competition.

9.4 Information Systems and E-business Strategies

The Commission completed a comprehensive review of its IS Strategy in late 2000, including the sourcing arrangements for its IS function. This concluded that a partnering relationship would provide the most effective arrangement for the delivery of the strategy. A procurement project has been initiated to manage this process.

A business case was submitted to HM Treasury to secure additional funding to support the delivery of an enhanced website and on-line services. This will include the provision of copy accounts and governing documents as part of the online facility. Approval of the case is anticipated by early summer 2001.

9.5 Records and Information Management

A key feature of the Freedom of Information Act and the e-Government initiative is robust records management. The Commission has

continued working to ensure that its records and information management policy and procedures comply with both access and privacy legislation. It has undertaken a full information audit and extended coverage of its record disposal schedules.

It has also continued to make progress on working towards the Modernising Government 2004 target for electronic storage and retrieval of all newly created public records. As part of this work a corporate statement of policy and principles for the management of electronic records has been agreed by the Board.

9.6 Procurement

Continuing the implementation of the recommendations of a procurement review, the Commission has recently introduced the use of the Government Procurement Card as part of its commitment to reducing costs through more efficient purchasing. In addition a specialist unit has been set up to develop a coherent procurement strategy.

Annex A

The Charity Commission's Vision and Values

Our Aim

Our Aim is to give the public confidence in the integrity of charity.

Our Vision

Our vision is to provide the best possible regulation of charitable activity in England and Wales. Our vision is of a charity sector which:

- meets the needs of potential beneficiaries effectively;
- is helped in this by the legal, accounting and governance frameworks of which the Commission has stewardship;
- keeps pace confidently and competently with the pace of change in society, the economy and the needs of beneficiaries;

and in which the Commission's activities and influence:

- contribute powerfully to all the above through advice, support and effective and visible supervision;
- encourage and where necessary enforce compliance with core regulatory requirements; and
- prevent mismanagement and abuse wherever that is possible and remedy it promptly and effectively where it is not.

Our Values

Integrity

We will show impartiality, fairness, independence and honesty in everything we do.

Professionalism

We will show high professional standards and provide a cost-effective service. We aim to get it right first time and to be prompt, courteous and constructive in all our dealings. We are committed to continuous improvement and will seek to learn both from the things we do well and the things we do less well.

Openness

We are accountable to the public, Parliament and the Courts. We aspire always to be open and approachable and always to present a human face.

Customer Service

We are dedicated to giving an excellent service to our customers, including charities, their beneficiaries and the public. We pride ourselves on being accessible to the community in all its diversity.

Modernising

We are committed to being a forward-looking Commission, enabling and encouraging charities to modernise in step with society's needs and expectations. We will exploit new technology so that our service keeps pace with changing needs.

Valuing our people

All our staff are important and we value their skills, knowledge and diversity. We are committed to providing leadership, keeping people informed, promoting a balance between work and home life, and developing skills.

Partnership

We are committed to working together with charities, with all their and our stakeholders, with other government departments and agencies, and within the Commission.

Annex B
New and Revised Publications in 2000/01

Publication Number	Publication Title	Date of Publication/ Revision
CC1	Charity Commission Publications	February 2001
CC2	Charities and the Charity Commission	July 2000
CC11	Payment of Charity Trustees	September 2000
CC14	Investment of Charitable Funds: Basic Principles	August 2000 (superseded by temporary version February 2001)
CC20	Charities and Fund-raising	April 2000
CC22	Choosing and Preparing a Governing Document	February 2001
CC25	Resolving Charity Disputes: Our Roles	January 2001
CC28	Disposing of Charity Land	July 2000
CC29	Charities and Local Authorities	March 2001
CC35	Charities and Trading	April 2000
CC37	Charities and Contracts	March 2001
CC42	Appointing Nominees and Custodians: Guidance under s.19(4) of the Trustee Act 2000	February 2001
CC44	Small Charities: Alteration of Trusts, Transfer of Property, Expenditure of Capital	September 2000
CC45	Central Register of Charities	February 2001
CC48	Charities and Meetings	October 2000
CC60	The Hallmarks of a Well-run Charity	July 2000
CC61	Charity Accounts 2001: The Framework	January 2001
CC62	Charities SORP 2000: What has changed?	October 2000
CC66	SORP 2000: Examples reports and accounts	November 2000
	Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2000)	October 2000

New and Revised Publications in 2000/01

Publication Number	Publication Title	Date of Publication/ Revision
RR4	The Recreational Charities Act 1958	August 2000
RR5	The Promotion of Community Capacity Building	November 2000
RR6	Maintenance of an Accurate Register	November 2000
RR7	The Independence of Charities from the State	February 2001
RR8	The Public Character of Charity	February 2001
RR9	Preservation and Conservation	February 2001

Annex C

Official Custodian for Charities Accounts

Foreword to Accounts

The Official Custodian for Charities 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 Charity 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 Order for the protection of the charity. 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.

Statement of Responsibilities of the Accounting Officer and the Official Custodian

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 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
13 June 2001

Statement of Internal Financial Control

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

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period. My review of the effectiveness of the system of internal financial control is informed by the work of the Official Custodian for Charities, who has responsibility for the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report:

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with the guidance issued by them.

John Stoker
Chief Charity Commissioner and Accounting Officer
13 June 2001

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 40 to 42 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 35, the Accounting Officer and the Official Custodian for Charities are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. They are also responsible for preparing the Foreword on page 35. The Accounting Officer is responsible for the statement on the system of internal financial control on page 37. 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 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 proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 37 reflects the compliance with the Treasury's guidance "Corporate Governance: Statement on the System of Internal Financial 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 opinion

I conducted my audit in accordance with 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 judgements made by the Accounting Officer and 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 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 2001 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 the 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
26 June 2001

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 31st March 2001

		31 March 2001			15 months ended 31 March 2000	
		Notes	Protected Funds £	General Funds £	Total Funds £	Total Funds £
Receipts						
			1774.85		1774.85	12471.30
				3668.70	3668.70	4077.31
				13.10	13.10	386.71
			1774.85	3681.80	5456.65	16935.32
Payments						
		3(b)	13195.67		13195.67	526.89
	Capital Income			3482.19	3482.19	438.41
				13.10	13.10	
			13195.67	3495.29	16690.96	965.30
			(11420.82)	186.51	(11234.31)	15970.02
Statement of balances:						
			30130.85	7689.86	37820.71	21850.69
		3	18710.03	7876.37	26586.40	37820.71

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 Treasury.

Note 2: Accounting Policies

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 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 4: Securities Held

Securities that remain from divestment and are still held by the Official Custodian are as follows:

- 2670 ordinary 10p shares in Northern Development Holdings Ltd. (in liquidation) for the Alexandra Trust;
- £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

13 June 2001

Authorised under Section 2(4) of the Charities Act 1993,
Charity Commission, Harmsworth House, 13-15 Bouverie Street, London EC4Y 8DP.

The Charity Commission

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