



# The Official Custodian for Charities Accounts

Annual Report 2009/10





Report and accounts of the Official Custodian for Charities for the  
year ending 31 March 2010

Presented to Parliament pursuant to paragraph 11 of Schedule 1A to the  
Charities Act 1993.

Ordered by the House of Commons to be printed 8 July 2010

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# 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 Commission (the Commission). The Commission designates one of its officers to be the Official Custodian, and he performs these duties in accordance with the directions of the Commission. The Commission has 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 Commission 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 a bank 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](http://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 Commission.

**Ken Brew**  
The Official Custodian for Charities

8 June 2010

# 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 observe any Accounts Directions issued by the Treasury including the relevant accounting and disclosure requirements and applying suitable accounting policies on a consistent basis.

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 Commission (the Commission) under section 2(3) of the Charities Act 1993.

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

## Scope of responsibility

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

## The purpose of the system of internal control

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.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## The risk and control framework

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 (PKF) 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. No internal audit work has been completed on the Official Custodian for Charities during the year. There is no standing risk register for the Official Custodian for Charities. Where appropriate, risks are reflected within the high level risk register for the Commission. During the year no risks were identified that required inclusion on the Commission risk register.

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.

**Ken Brew**

The Official Custodian for Charities

8 June 2010

# The certificate and report of the comptroller and auditor general to the houses of parliament

I certify that I have audited the financial statements of the Official Custodian for Charities for the year ended 31 March 2010 under section 2(7) of the Charities Act 1993. These comprise the Receipts and Payments Account, the Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Official Custodian for Charities and Auditor

The Charity Commission (the Commission) has appointed the Official Custodian under section 2(2) of the Charities Act 1993. As explained more fully in the Statement on the responsibilities of the Official Custodian for Charities for preparing accounts, the Official Custodian for Charities is responsible for the preparation of the financial statements in accordance with section 2(6) of the Charities Act 1993 and directions made thereunder. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Official Custodian for Charities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Official Custodian for Charities; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on Regularity

In my opinion, in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements properly present the receipts and payments of the Official Custodian for Charities for the year ended 31 March 2010; and
- the financial statements have been properly prepared in accordance with section 2(6) of the Charities Act 1993 and directions issued thereunder.

## Matters for which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**  
Comptroller and Auditor General

14 June 2010

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



# The official custodian for charities

## Receipts and Payments Account and Statement of Balances for the year ended 31 March 2010

		2009/10				2008/09
	Notes	Specific Funds	Protected Funds	General Funds	Total Funds	Total Funds
		£	£	£	£	£
<b>Receipts</b>						
From charities		0	0	0	0	0
From charities for protection		0	0	0	0	0
From investments (interest)		2	0	1	3	58
<b>Total Receipts</b>		<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>58</b>
<b>Payments</b>						
Remittances made	Capital	0	0	0	0	0
	Interest	0	0	0	0	0
<b>Total payments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of receipts over payments</b>		<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>58</b>
<b>Statement of balances as at 31 March 2009</b>						
Balance at 1 April 2009		2,645	0	748	3,393	3,335
<b>Balance at 31 March 2010</b>	<b>3</b>	<b>2,647</b>	<b>0</b>	<b>749</b>	<b>3,396</b>	<b>3,393</b>

Ken Brew

The Official Custodian for Charities

8 June 2010

The following notes form part of these accounts

# Notes to the accounts

## Note 1: Basis of Preparation

The accounts are prepared in accordance with section 2(6) of the Charities Act 1993.

## 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 the 11th December 1992, the Official Custodian has been divesting himself of investments and cash as directed by the Charity Commission 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 bank are as follows:

	31 March 2010			31 March 2009	
	Specific Funds Note (a)	Protected Funds	General Funds Note (b)	Total Funds	Total Funds
Deposit Account balances	£ 2,647	0	£676	£3,323	£3,321
Current Account balance	0	0	£ 73	£ 73	£ 72
<b>Total Funds</b>	<b>£ 2,647</b>	<b>£ 0</b>	<b>£749</b>	<b>£3,396</b>	<b>£3,393</b>

(a) Specific Funds

- In August 2005, an amount of £1,400 was received in respect of £40,000 6.5% Convertible Unsecured Loan Stock 2000/2005 issued by Staflex International Limited (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 £1,523. The identity of the Charity that owns the Loan Stock is as yet unknown.
- In September 2004, an amount of £997 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 £1,124. The identity of the Charity that owns the Loan Stock is as yet unknown.

(b) Funds are held by the Official Custodian as follows:

- £ 73 in a current account; and
- £ 676 in an interest bearing deposit account including interest earned.

#### **Note 4: Property protected**

The following property is vested in the Official Custodian by an Order of the Charity Commission made under section 18(1)(iii) of the Charities Act 1993 as amended by the Charities Act 2006:

##### **28 February 2007**

The Recreation Ground at Bath, in the County of Somerset, being the land comprised in a conveyance dated 1 February 1956.

##### **16 February 2009**

Freehold land at 119-121 Grove Road, Walthamstow, London E17 9BU.

##### **12 August 2009**

23 further properties throughout England and Wales, all within one charity, where the Charity Commission has appointed an Interim Manager.

#### **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.

## Note 6: Related parties

The Official Custodian for Charities is an employee of The Charity Commission. The Charity Commission bears the full cost of the Custodian function.

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

**Ken Brew**

The Official Custodian for Charities

8 June 2010

Charity Commission

12 Princes Parade

Princes Dock

Liverpool L3 1DE

There are 180,000 charities registered with the Charity Commission in England and Wales, with a total income of £52 billion, over 700,000 staff and almost 850,000 trustee positions. For every £1,000 of income received by registered charities, the Commission costs only 58p to run.

Our role is to help charities achieve what they do in the most effective way possible.

### Our Vision

Charity working at the heart of society for public benefit

### Our Mission

Increasing public trust and confidence in charities by:

- enabling charities to maximise their impact
- ensuring compliance with legal obligations
- encouraging innovation and effectiveness
- promoting the public interest in charity

### Our Values

Effective

Expert

Fair

Independent

Innovative

Responsive



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