
HM Procurator General and Treasury Solicitor

Accounts for the Crown's Nominee for the
year ended 31 March 2020

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for the year ended 31 March 2020

Presented to Parliament pursuant to sections 4 and 5 of the Treasury Solicitor Act 1876

Ordered by the House of Commons
to be printed on 16 July 2020



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ISBN 978-1-5286-1849-6

CCS022026352

07/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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Foreword

Introduction and Background

As Treasury Solicitor, I have been appointed by the Sovereign to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia (ownerless assets). The Bona Vacantia Division of the Government Legal Department administers bona vacantia in England and Wales on my behalf, except for the Duchies of Cornwall or Lancaster for which I have no responsibility. In Northern Ireland, the Crown Solicitor deals with bona vacantia as my Agent.

Bona vacantia arises from: the estates of persons who die intestate and without known kin entitled to inherit; from the assets of now dissolved companies; and other miscellaneous bona vacantia, for example failed trusts. More information about bona vacantia, including a postal address for written correspondence, can be found at this website:

<https://www.gov.uk/government/organisations/bona-vacantia>

The Bona Vacantia Division is notified of potential bona vacantia from a number of sources. For estates of deceased persons, this is mainly by local authorities, members of the public, solicitors and firms of genealogists. For companies, referrals of cash assets generally come from banks and other financial institutions, but in the case of other assets, such as land, referrals come from a variety of sources, similar to the referrals for estates.

The Bona Vacantia Division, before taking on the referral and commensurate with the potential value of assets, undertake checks to ensure that the assets are, or are likely to be, bona vacantia. Once confirmed, for estates, the Division generally disposes of the assets and settles known and relevant liabilities, but is unlikely to take on an insolvent estate. For companies, it will sell assets and, where there is a secured interest (e.g. mortgage), may settle any sum due in order to realise the value of the asset. However, assets may be disclaimed on various grounds including where, for example, there is negative equity. Company liabilities, unless secured, do not vest as bona vacantia.

Dissolved companies can usually be restored within six years of dissolution (Companies Act 2006). Generally, this will be done by creditors or former owners to allow them access to the assets of the company. If this happens, the company comes back to life and bona vacantia no longer exists. The assets belong to the company again, unless they have been disposed of, in which case the Bona Vacantia Division will pay over the proceeds of sale, less any costs incurred in dealing with the asset. However, it is recognised that restoration is not always an economic proposition and the Division can make discretionary payments of up to £3,000 to former members or former liquidators of dissolved companies. Where a dissolved company cannot be restored to the Register, a discretionary payment can also be made, but under different criteria.

The Bona Vacantia Division is obliged to pay over the value of the estate to entitled kin on subsequent receipt of a valid claim. These payments can be made many years after the assets have been realised but generally the time limit for claims to estates is 12 years (Limitations Act 1980). Payments to kin can be made outside of the 12 year limit, up to a period of 30 years from the date of death, but such payments are on a discretionary basis.

Using the provisions of the Administration of Estates Act 1925, the Division can make a discretionary payment to people whom the deceased might reasonably have made provision for. Such discretionary payments will not be recovered, even if entitled kin subsequently come forward nor, will the amount be deducted from the value of the estate when it is paid over to kin.

The Companies Act 2006 created an administrative restoration process which allows company members to restore a dissolved company to the Companies Register quickly and efficiently. Prior to restoration, the consent of the Crown's Nominee, referred to as a waiver, is required. As a result, the Crown's Nominee charges an administrative fee to recover the cost of dealing with such applications.

Recovery of Crown Costs represents the fees charged to entitle kin and restored companies for administration of estates and companies while the assets were considered to be bona vacantia.

The Bona Vacantia Division work very closely with its key stakeholders who are:

- Her Majesty's Treasury, who is the recipient of bona vacantia income and acts as the Division's client;
- Local Authorities;
- The Probate Registry;
- Companies House;
- Land Registry;
- District Valuers; and
- Auctioneers.

The Government Legal Department charges the Crown's Nominee Account for the services provided by its Bona Vacantia Division. A charge is also paid to the Crown Solicitor for handling bona vacantia in Northern Ireland. The fees are shown in Note 10 of the Account.

Performance in 2019-20

Net income for the 2019-20 year amounted to £70 million (2018-19: £62 million). The increase can be mainly attributed to an increase in Estates and Companies receipts, see Note 2.

Receipts in 2019-20 were £114 million (2018-19: £98 million), the 16 per cent increase being mainly attributed to a higher volume of Companies cases received from financial institutions following outreach work and increased awareness of bona vacantia, as well as, an increase in the value of estates receipts and speedier administration of estates cases. Crown's Nominee receipts vary from year-to-year depending on the number and value of cases referred that, after some investigation, are identified as bona vacantia. High value estates or dissolved companies with significant assets, can make a material difference to annual receipts.

During 2019-20, the Bona Vacantia Division handled more cases than the previous year. A total of 57,000 cases were handled in 2019-20, (2018-19: 55,000 cases) with the increase in case numbers attributed to a rise in companies cases referred by financial institutions and a slight increase in the number of estate case referrals.

Amounts realised from dissolved companies was £92 million in 2019-20 (2018-19: £85 million). The Bona Vacantia Division has continued working with financial institutions to recover cash relating to dissolved companies and this has helped to increase the value of companies receipts compared to last year. The number of company case referrals was 54,000 in 2019-20 (2018-19: 52,000) with the increase in case numbers predominantly attributed to a rise in companies cases referred by financial institutions following outreach work. The number of small value companies cases also increased this year. A small value company case has

assets of less than £300 (usually cash). In 2019-20, 28,000 of these cases were handled compared to the 27,000 the year before.

The amounts realised from estates increased to £22 million in 2019-20 (2018-19: £12 million). The number of new referrals this year has increased slightly when compared to the previous year. It can take a number of years to realise the value of an estate and the value of assets for each estate can vary considerably. This explains why the increase in the value of receipts is significant despite a minor increase in the number of referrals this year.

Income from the companies administrative restoration process and recovery of Crown Costs was £1.2 million in 2019-20 (2018-19: £0.6 million).

In 2019-20, £36 million was paid back to company directors/shareholders relating to previously dissolved companies, of which £1 million related to discretionary payments. In 2018-19, £29 million was paid out, of which £383k was discretionary.

Estates payments were £8 million in 2019-20, of which £1 million related to discretionary payments. In 2018-19, £8 million was paid to entitled kin, of which £3 million was discretionary. There has been a fall in the number of kin claim applications this year, which was anticipated, as the list of unclaimed estates has been published for a number of years now. The publicity around “the list”, along with a popular TV programme, resulted in a high number of claims in previous years that have now tapered off.

There is an annual transfer from the bank to Her Majesty’s Treasury’s Consolidated Fund. The amount transferred is generally a minimum of 85 per cent of the bank balance of the Crown’s Nominee on the last working day of January, subject to a balance of at least £5 million being retained in the bank for administrative costs and creditors. The transfer in February 2020 was £67 million (£55 million in 2019).

Looking Forward

With the work of the Crown’s Nominee being undertaken by the Bona Vacantia Division of the Government Legal Department, the priorities of the Crown’s Nominee are therefore linked to those of the department. My priorities for the Division, in part, reflect their position in the department and in the next financial year, its priorities will be to continue to support delivery of the Government Legal Department’s Strategy, which is explained in more detail in the Government Legal Department Annual Report and Accounts 2019-20. In addition the Bona Vacantia Division will continue to:

- work to ensure that its client, Her Majesty’s Treasury, remains fully confident in how it handles bona vacantia and the value for money that the Crown’s Nominee brings;
- develop the skills and expertise of Bona Vacantia Division staff;
- identify and exploit new streams of bona vacantia assets;
- work with delivery partners to identify, collect and dispose of assets effectively; and
- deliver a public interface that meets the government’s ‘Digital by Default’ strategy.

Sir Jonathan Jones KCB QC (Hon)
Crown’s Nominee
9 July 2020

Accountability Report

Statement of Responsibilities of the Crown's Nominee

The Accounts are to be prepared under an Accounts Direction of 30 March 2020 given by Her Majesty's Treasury in accordance with rule 4 (1) of the Treasury Solicitor (Crown Nominee) Rules 1997 (SI 1997/2870). For further information, see the Statement of Accounting Policies, Note 1, of the Account.

In preparing the Accounts, the Crown's Nominee is required to:

- comply with the Accounts Direction issued by Her Majesty's Treasury;
- comply with the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870);
- present them to Parliament;
- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- prepare the Accounts on a going concern basis.

The Crown's Nominee, as Accounting Officer, is responsible for the propriety and regularity of the public finances for which he is accountable, for keeping proper records and for safeguarding the assets of the Crown's Nominee.

By agreement with Her Majesty's Treasury, an amount raised through the realisation of bona vacantia assets is transferred to the Consolidated Fund each year, after retaining sufficient funds in order to meet the Crown's Nominee routine liabilities, as they fall due, in respect of his bona vacantia duties.

The Crown's Nominee operates through the Bona Vacantia Division, a part of the Government Legal Department. The Crown's Nominee, therefore, looks to the Government Legal Department to provide certain services in support of the functions of the Crown's Nominee. The Government Legal Department is responsible for putting in place reasonable controls, including the protection of the integrity of the Division's pages on the GOV.UK website; this responsibility includes accurate reproduction and maintenance of the annual audited Accounts that are made available to users of the website.

Statement regarding disclosure of information to the auditors

As the Crown's Nominee, and Accounting Officer, I have taken all reasonable steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that the Accounts and Foreword as a whole are fair, balanced and understandable, and I take personal responsibility for the judgements made within the Account.

External Audit

The Crown's Nominee Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. The notional audit fee is £42k in 2019-20 (2018-19: £40k) and no further assurance or other advisory service has been provided by the NAO.

The Governance Statement

Framework

Under the 1876 Act, the Treasury Solicitor, has been appointed by successive Sovereigns by Royal Warrants to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia. This nomination is formalised by way of Royal Warrant and made on the advice and by the recommendation of the Commissioners of Her Majesty's Treasury. The current Royal Warrants are dated 21 August 1984.

As Treasury Solicitor, I have been designated the Accounting Officer for the Crown's Nominee Account. As the Crown's Nominee, I am required to comply with The Treasury Solicitor (Crown's Nominee) Rules and to maintain the Crown's Nominee Account. I am required to prepare Accounts each year for presentation to Parliament. The Accounts are to be prepared under the Accounts Direction given by Her Majesty's Treasury of 30 March 2020.

As the Crown's Nominee, I am responsible for the propriety and regularity of public finances for which I am answerable, for keeping proper records and safeguarding the assets of the Crown's Nominee, as well as having responsibility for day-to-day issues affecting the Government Legal Department's Bona Vacantia Division, such as staffing, training and compliance.

Her Majesty's Treasury Commissioners advise Her Majesty on the role of the Crown's Nominee, as detailed in the Royal Warrants. There are also statutory provisions directly governing some aspects of the functions of the Crown's Nominee. It is also for Her Majesty's Treasury to set regulations, policy, financial delegation limits and direction for the management of the Crown's Nominee Account. A Minister of Her Majesty's Treasury is required to lay the Crown's Nominee annual Accounts before Parliament.

As Crown's Nominee, I aim to provide a high quality service to stakeholders, including Her Majesty's Treasury, Parliament, staff and other people who will be affected by dealing with bona vacantia assets. To this end, formal meetings take place between management representatives on my behalf and Her Majesty's Treasury, to provide updates on performance, agree business plans, budgets, agree transfer of monies to the Consolidated Fund and to review risks. In addition to discussing budgets and business plans, these meetings are also used to seek agreement on policy issues and to highlight risks. Ad-hoc meetings also take place to discuss urgent issues, where direction or authority is sought.

To the extent that it is deemed relevant and practical I, as the Crown's Nominee, when discharging my responsibilities, apply relevant elements of the Central Government Corporate Governance Code as set out in Her Majesty's Treasury's publication "Managing Public Money". These include:

- strategy – setting the vision;
- commercial focus – scrutinising the allocation of resources to achieve plans, ensuring controls are in place to manage risk;
- talented people – ensuring there is the capability to deliver and to plan and meet current and future needs;
- results focus – agreeing the Division's annual Business Plan and monitoring and steering performance against the Plan; and
- management information – commissioning monthly performance reports containing clear, consistent and comparable performance information to drive improvements.

Operation

As Crown's Nominee, I direct the Government Legal Department's Bona Vacantia Division to identify, collect and dispose of bona vacantia assets. The day-to-day responsibility for dealing with bona vacantia rests with the Head of the Bona Vacantia Division. The Head of the Bona Vacantia Division has systems in place for regular communication with all staff, including policy, operational and financial matters, and for informing them of new developments and key issues. The Government Legal Department's Finance Director manages a discrete unit within his Division that is responsible for the payments, receipts, preparation of Accounts and financial and management accounting for the Crown's Nominee.

The Head of the Bona Vacantia Division is part of the Government Legal Department's Strategic Leadership Group and is subject to the department's governance and wider control system that is described in the Government Legal Department's Annual Report and Accounts 2019-20. Regular reports are provided to me as the Crown's Nominee by the Bona Vacantia's Head of Division, with quarterly meetings arranged to discuss work priorities, progress against Business Plan targets and the steps being taken to manage risk. In addition, the Head of the Bona Vacantia Division, attends the Government Legal Department's Operations Committee (previously Performance and Client Committee), where matters relating to Bona Vacantia, are discussed. The Head of the Bona Vacantia Division is also required to provide an annual Director's Assurance Report, reporting on activity during the year, the management of the resources allocated, and confirming that all risks to the achievement of objectives have been reviewed and that appropriate action to manage those risks has been, or is being, taken.

As the Crown's Nominee, I seek advice and challenge from the Government Legal Department's Board, the Audit and Risk Assurance Committee and the Government Internal Audit Agency as and when required.

Each year, the Crown's Nominee Accounts are reviewed by the Government Legal Department's Audit and Risk Assurance Committee, and where necessary, issues are escalated to me.

Through the Head of the Bona Vacantia Division I, as the Crown's Nominee, provide assurance to Her Majesty's Treasury by submitting quarterly progress reports and meeting formally three times a year.

As the Crown's Nominee, I have delegated day-to-day management and operational functions to be carried out through the Head of the Bona Vacantia Division, who has regular meetings with her senior management team to discuss and agree operational and strategic issues, including the review of risk registers. Divisional meetings also take place during the year to deliver the key messages to all staff in the Bona Vacantia Division.

Statement on Information Risk

The Crown's Nominee holds information for the cases handled in relation to bona vacantia.

A framework is in place for handling data relevant to the Bona Vacantia Division's work and to provide assurance over the management and security of information held within the Division, including:

- the Head of the Bona Vacantia Division having the role of Information Asset Owner for all information held by the Division;
- the Bona Vacantia Division identifying the information held and maintaining an Information Asset Control Register. Access to information is minimised whilst maintaining a balance between business needs and risk;

- instructions being provided to staff on the Government Legal Department's and Bona Vacantia Division's data handling and security related policies, procedures for handling information, and a system in place to authorise and record any dispensation from compliance with those policies;
- all relevant staff completing a mandatory 'Data Protection' training course, covering the General Data Protection Regulations (GDPR);
- all relevant staff completing a mandatory 'Responsible for Information – General User' training course; and
- incorporation of information risks within the risk management policy and process.

Risk Management and Internal Control

As the Crown's Nominee, I have a system of internal control, managed through the Bona Vacantia Division, to manage risk to a reasonable level rather than to eliminate all 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 and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Bona Vacantia Division for the year ended 31 March 2020 and up to the date of the approval of these Accounts and accords with guidance from Her Majesty's Treasury.

The Bona Vacantia Division's risks are related to the key targets and priority work areas set out in the Division's Business Plan. Risk is managed by identifying and evaluating risks and appropriate control measures, which are set out in the Division's Risk Register. All Bona Vacantia Division staff have access to the Risk Register, which is held on the shared network. As external third party fraud is the main risk, the Division has continued to develop links with the Metropolitan Police and other delivery partners, such as the Probate Registry and Land Registry, to help address this risk. Risk and fraud awareness is also covered in the induction programme for new staff to the Division, which forms part of their training.

The Head of the Bona Vacantia Division holds regular management meetings with the Division's senior management team where new risks are identified and existing risks reviewed. The Division has adapted to changes to the risk environment by focussing on the secure handling of all valuables, reducing the continued potential for fraud, and dealing more efficiently with the large volume of companies work.

Risk management is embedded in the activity of the Bona Vacantia Division. The system of control underpinning the Crown's Nominee Account includes:

- a Divisional budget and Business Plan, which defines priorities, key targets and accountability for delivery;
- systematic identification and management of risks through a Risk Register linked to the Division's Business Plan;
- standardised processes and procedures set out in published guidelines, practice guides and internal desk instructions, supplemented by training events;
- segregation of duties, and the "four eyes" principles in key areas, such as post opening, cheque and cash handling;
- an invigilator to oversee post opening;
- detailed procedures for handling valuables and cheques received during post opening to account for all valuable items in a secure way and ensuring there is a clear audit trail;

- a set of Divisional standards on the handling and management of bona vacantia cases;
- management arrangements, including a system of delegated financial authorities for all payments made by the Division. These delegations relate to case related payments, including the payment of discretionary grants;
- a management information system, based on information from an electronic case management and finance system, which provides details of key performance indicators on a monthly basis;
- a Business Continuity Plan setting out arrangements for dealing with a loss of infrastructure or information and communications technology; and
- money laundering procedures that are applied on the sale of appropriate bona vacantia property.

Risk Assessment and Issues

The Risk Register for 2019-20 records the main areas of risk to the Bona Vacantia Division's work as the potential for fraud, their case management system becoming out of date, a loss of infrastructure or ICT, a failure to recruit and retain staff, a failure to manage unexpected large influxes of work, and the insecure handling of valuables and personal data and the impact of processing bona vacantia work due to the Coronavirus pandemic. These risks continued to be addressed during the year and actions included:

- keeping under review measures to counter fraud, including links with the Metropolitan Police, and other delivery partners, such as the Probate Registry and Land Registry;
- having a Fraud Working Group to raise fraud awareness and identify any new areas of potential fraud risk, and take appropriate steps to address risks identified;
- reviewing the capability of the current and potential future case management systems;
- reviewing and updating the Business Continuity Plan;
- reviewing and updating processes for post opening and handling valuables;
- recruiting temporary staff to deal with short-term increases in work volumes and to fill job vacancies;
- reviewing processes to facilitate more home working and minimise the need for staff having to come into the office during the Coronavirus pandemic; and
- providing guidance to staff on such matters as gifts and hospitality and related party transactions.

Audit

The Government Legal Department's Audit and Risk Assurance Committee provides support in monitoring and reviewing the Bona Vacantia Division's risk, control and governance processes and the associated assurance processes. The Committee is chaired by a Non-Executive Director and meets at least three times a year. Membership of this Committee includes one other Non-Executive Director and an additional independent member.

Additionally, audit staff from the Government Internal Audit Agency (GIAA) provide independent assurance on the effectiveness of internal control arrangements in the Bona Vacantia Division. GIAA completed a review of the Bona Vacantia in 2018-19 and gave a substantial assurance opinion. No review took place in the 2019-20 financial year.

Personal data related incidents

Government departments are required to publish information about serious personal data related incidents which have to be reported to the Information Commissioner. The Government Legal Department has not reported any incidents in relation to bona vacantia.

Significant Control Issues

I am satisfied that the processes have highlighted no issues of significance in the operation of the Bona Vacantia Division in 2019-20.

Sir Jonathan Jones KCB QC (Hon)
Crown's Nominee
9 July 2020

THE CERTIFICATE AND REPORT OF THE INDEPENDENT AUDITOR TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Crown's Nominee for the year ended 31 March 2020 under the Treasury Solicitor's (Crown's Nominee) Rules 1997. The financial statements comprise: the Statements of Net Income, Financial Position, Cash Flows, Changes in Reserves; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Crown's Nominee's affairs as at 31 March 2020 and of net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Treasury Solicitor's Act 1876 and Secretary of State directions issued thereunder.

Emphasis of Matter – Disclosure in relation to the valuation of Inventory

I draw attention to the disclosures in Note 1.3 to the financial statements in relation to the valuation of the Inventory balance held by the Crown's Nominee. The Crown's Nominee records non-cash assets, including property, for which there is a ready market, as Inventory at their estimated net realisable value until sold. There are significant differences in value for the properties held depending on the valuation method used. This, and the disruption caused as a result of the COVID-19 crisis to the UK economy generally, and the property market in particular, means there is a material uncertainty as to the value of the property at the balance sheet date. My opinion is not modified in respect of this matter.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Crown's Nominee in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Crown's Nominee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Crown's Nominee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Crown's Nominee's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Responsibilities of the Crown's Nominee, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Treasury Solicitor's Act 1876.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Crown's Nominee's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Crown's Nominee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Crown's Nominee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Crown's Nominee to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the

income and expenditure 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.

Other Information

The Crown's Nominee, as Accounting Officer is responsible for the other information. The other information comprises information included in the Foreword to the Accounts and the Accountability Report, but does not include the parts of the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Treasury Solicitor's (Crown's Nominee) Rules 1997;
- in the light of the knowledge and understanding of the Crown's Nominee and its environment obtained in the course of the audit, I have not identified any material misstatements in the Accountability Report; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Steven Corbishley
For and on behalf of the Comptroller and Auditor General

Date 15 July 2020

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

Statement of Net Income
for the year ending 31 March 2020

	Notes	2019-20 £000	2018-19 £000
Income	2	75,143	64,726
Expenditure	3	(5,521)	(2,690)
Net Income		<u>69,622</u>	<u>62,036</u>

All income and expenditure is derived from continuing operations

The notes on pages 17 to 24 form part of these Accounts

Statement of Financial Position

as at 31 March 2020

	Notes	31 March 2020 £000	31 March 2019 £000
Current assets			
Inventory	4	6,478	2,132
Trade and other receivables	5	2,228	3,405
Cash and cash equivalents	6	11,689	17,729
Total current assets		20,395	23,266
Current liabilities			
Trade and other payables	7	(1,832)	(1,779)
Provisions	8.2	(40,447)	(49,282)
Total current liabilities		(42,279)	(51,061)
Assets less current liabilities		(21,884)	(27,795)
Non-current liabilities			
Provisions	8.2	(53,984)	(50,737)
Net liabilities		(75,868)	(78,532)
Reserves		(75,868)	(78,532)

Sir Jonathan Jones KCB QC (Hon)
Crown's Nominee
9 July 2020

The notes on pages 17 to 24 form part of these Accounts

Statement of Cash Flows
for the period ending 31 March 2020

		2019-20	2018-19
	Notes	£000	£000
Net income		69,622	62,036
<i>Adjustments for non-cash transactions arising in the year</i>			
(Increase)/Decrease in inventory	4	(4,346)	2,712
Decrease in trade and other receivables	5	1,177	698
Increase in trade and other payables	7	53	1,136
Provisions made in year	8.1	34,059	26,630
Auditor's remuneration	3	42	40
<i>Less</i>			
Provisions used in year	8.1	(39,647)	(33,875)
Net cash inflow from operating activities		60,960	59,377
Payment to the Consolidated Fund		(67,000)	(55,000)
(Decrease)/Increase in cash in period	6	(6,040)	4,377
Cash and cash equivalents at the beginning of the period	6	17,729	13,352
Cash and cash equivalents at the end of the period	6	11,689	17,729
(Decrease)/Increase in cash in period	6	(6,040)	4,377

The notes on pages 17 to 24 form part of these Accounts

Statement of Changes in Reserves

for the period ending 31 March 2020

	Notes	Capital Reserve 2019-20 £000	Capital Reserve 2018-19 £000
Balance at 1 April		(78,532)	(85,608)
Net Income		69,622	62,036
Payments to the Consolidated Fund		(67,000)	(55,000)
Non cash charge for auditor's remuneration	3	42	40
Balance at 31 March		(75,868)	(78,532)

The notes on pages 17 to 24 form part of these Accounts

Notes to the Accounts

1. Statement of Accounting Policies

In exercise of the powers conferred by sections 4 and 5 of the Treasury Solicitor Act 1876 (“the 1876 Act”), Her Majesty’s Treasury have made an Accounts Direction for the preparation of the Crown’s Nominee Accounts. The financial statements have been prepared in accordance with the Direction and the Treasury Solicitor (Crown’s Nominee) Rules 1997 (SI 1997 No 2870) emanating from the 1876 Act and with the 2019-20 Government Financial Reporting Manual (FReM) issued by Her Majesty’s Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted to the extent that it is meaningful and appropriate to public bodies. The Crown’s Nominee has reviewed changes to the FReM for 2019-20 and determined that none of the changes have an impact on the Crown’s Nominee financial statements.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Crown’s Nominee Account for the purpose of giving a true and fair view has been selected. The accounting policies for the Crown’s Nominee Account have been applied consistently in dealing with items considered material in relation to the Account.

Newly issued accounting standard, IFRS 16, Leases, is effective for periods beginning on or after 1 January 2019 and will be reflected in the FReM for 2021-22, but this will not affect this Account as the Crown’s Nominee does not hold lease liabilities.

1.1 Accounting Convention

The financial statements together with the notes on pages 17 to 24 have been prepared under the historical cost convention, and, where material, current asset investments and stocks at fair value as determined by the relevant accounting standard.

Each February, a large cash transfer is made to Her Majesty’s Treasury that reduces the value of assets in the Statement of Financial Position and this, along with the inclusion of the estimate of liabilities to kin and dissolved companies falling due in future years, means that liabilities can outweigh assets. At 31 March 2020, the Statement of Financial Position shows net liabilities of £76 million (31 March 2019: £79 million). A minimum of £5 million is retained from the annual payment to Her Majesty’s Treasury to meet any liabilities that crystallise in the months immediately following the payment, and proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet liabilities as they fall due. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown’s Nominee will call back funds from Her Majesty’s Treasury so it is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

1.2 Income

Income comprises of:

- the sums arising from the realisation of estates passing to the Crown's Nominee under the Administration of Estates Act 1925, net of all legal liabilities relating to the estate;
- the sums arising from the realisation of property and rights which belonged to dissolved companies, and trusts, which have failed, and sums arising from the sale of miscellaneous bona vacantia, net of all secured liabilities;
- administrative restoration waiver fees; and
- the recovery of costs and disbursements incurred by the Crown's Nominee.

Income is recognised when it is probable that any economic benefits associated with the items of bona vacantia will flow to the Crown's Nominee Account and these benefits can be measured reliably at fair value. Income is stated net of the estimated future payments to kin and companies and net of discretionary payments arising during the year.

The Companies Act 2006 created an administrative restoration process which allows company members to restore a dissolved company to the Companies Register quickly and efficiently. Prior to restoration, the consent of the Crown's Nominee referred to as a waiver, is required. As a result, the Crown's Nominee charges an administrative fee to recover the cost of dealing with such applications.

Recovery of Crown Costs represents the fees charged to entitled kin and restored companies for administration of estates and companies while the assets were considered to be bona vacantia.

1.3 Inventory

The Crown's Nominee receives assets from estates of deceased intestate people and dissolved companies and trusts. These assets are normally converted into cash within a year. Non-cash assets, for which there is a ready market, are recorded as Inventory at their estimated fair value until sold. Any movements in value are taken to the Statement of Net Income. At 31 March 2020, the Crown's Nominee held freehold and leasehold properties valued at £6.0m and other inventory, such as shares and chattels, with a value of £0.4m, as set out in note 4.

Valuations are based on professional valuation reports, market prices or previous experience. Assets for which there is no ready market are valued at nil until realised. Freehold and leasehold property valuations are based on either an auctioneer's estimate or publicly available market data when the Crown's Nominee becomes aware of its entitlement to the property. An assessment is undertaken at 31 March to verify that the values held for properties is considered to still provide an appropriate estimate of their fair value. It is recognised, however, that the actual proceeds from the sale of individual properties may be materially higher or lower than these valuations for reasons such as the condition of the property and market conditions when listed and at point of sale, depending on the valuation method used.

It is further recognised, as set out in the Practice Note issued by the Royal Institute of Chartered Surveyors, that there is currently a material uncertainty regarding the valuation of freehold and leasehold properties due to the potential economic implications of Covid 19. The valuation of property in the account reflects market conditions largely before the escalation of the pandemic in late March 2020. We have not attempted, therefore, to revalue

this property post year-end, as there is currently insufficient market evidence to determine with any certainty the impact of the pandemic on such property values.

1.4 Expenditure

The categories of Expenditure are:

- payment to the Government Legal Department for the services of the Bona Vacantia Division, including staff, accommodation and ICT costs;
- general expenditure, including administrative expenditure paid directly by the Crown's Nominee, for example, advertising for kin and Companies House searches. It also includes unwinding of provisions discount; and
- disbursements, which are third party costs directly attributable to the administration of an estate or dissolved company.

1.5 Transfer to the Consolidated Fund

By agreement with Her Majesty's Treasury, on a date after the last day of January, but no later than 14 March, there shall be a transfer to the Consolidated Fund from the Crown's Nominee Account. The amount transferred is generally a minimum of 85 per cent of the net balance held in the bank at the end of January, subject to a balance of at least £5 million being retained in the bank for administration costs, kin payments, company restorations, contingencies and creditors.

1.6 Provisions

The Crown's Nominee provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of a best estimate of the expenditure required to settle those obligations having regard to historical trends. These include provisions for future claims from kin in estates cases, and applications to recover assets in relation to dissolved companies. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using Her Majesty's Treasury's discount rate. Note 8 of the Accounts explains the discount rates used and the significant judgements and estimates made.

1.7 Taxation

The Crown's Nominee is exempt from Income and Corporation Tax by way of his Crown exemption.

Where VAT is recoverable on its costs and charges, amounts are included net of VAT. Irrecoverable VAT is included in Income and Expenditure. The amount due to or from Her Majesty's Revenue and Customs in respect of VAT is included within receivables or payables as appropriate.

Payments to kin can include interest from which Income Tax is deducted and paid directly to Her Majesty's Revenue and Customs.

2. Income

		2019-20	2018-19
	Notes	£000	£000
Amounts arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925		21,561	12,215
Amounts arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing under the Administration of Companies Act 2006		91,700	84,791
Company restoration waiver fees		370	360
Recovery of Crown Costs for restoring companies or administering estates		827	207
		<u>114,458</u>	<u>97,573</u>
<i>Less:</i>			
Legal charges on estates		(1,924)	(987)
Discretionary payments to kin and companies		(3,954)	(3,293)
Provision for future payment to kin and companies	8.1	(33,437)	(28,567)
		<u>75,143</u>	<u>64,726</u>

3. Expenditure

		2019-20	2018-19
	Notes	£000	£000
Service charge		4,492	3,943
General expenses		136	212
Disbursements		229	432
Non-cash costs			
Auditor's remuneration		42	40
Unwinding of provisions discount	8.1	622	(1,937)
		<u>5,521</u>	<u>2,690</u>

4. Inventory

	31 March 2020 £000	31 March 2019 £000
Freehold/leasehold property	6,036	1,908
Goods, chattels and shares	442	224
	<u>6,478</u>	<u>2,132</u>

5. Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Other receivables	2,228	3,405
	<u>2,228</u>	<u>3,405</u>

Other receivables primarily represent cash balances held by financial institutions.

The Crown's Nominee has no receivables falling due after more than one year.

6. Cash and cash equivalents

	31 March 2020	31 March 2019
	£000	£000
Balance at 1 April	17,729	13,352
Net cash inflow / (outflow)	(6,040)	4,377
Balances at 31 March	<u>11,689</u>	<u>17,729</u>

All balances were held by the Government Banking Service.

7. Trade and other payables

	31 March 2020	31 March 2019
	£000	£000
Other payables	1,832	1,779
	<u>1,832</u>	<u>1,779</u>

Other payables primarily represents amounts due in respect of cases handled.

The Crown's Nominee has no payables falling due after more than one year.

8. Provisions for liabilities and charges

8.1 Provisions

		2019-20	2018-19
	Notes	£000	£000
Balance at 1 April		100,019	107,264
Provided in year for future payments to kin and companies	2	33,437	28,567
Unwinding of discount	3	622	(1,937)
		<u>34,059</u>	<u>26,630</u>
Provisions used in year		(39,647)	(33,875)
Balance at 31 March		<u>94,431</u>	<u>100,019</u>

8.2 Analysis of expected timing of cash flows

	31 March 2020		31 March 2019	
	£000	£000	£000	£000
Not later than one year		40,447		49,282
Later than one year and not later than five years	44,709		46,911	
Later than five years	<u>9,275</u>		<u>3,826</u>	
Sub total		53,984		50,737
		<u>94,431</u>		<u>100,019</u>

The provisions are an estimate of the anticipated future repayments as a result of kin claims or the restoration of companies. The estimated value of repayments to kin and companies is based on historical trends, which are subject to an annual review. Additionally, every three to five years, an independent review by the Government Actuary's Department looks at the methodology and processes used to determine the estimate. In February 2019, the Government Actuary's Department advised that the methodology used by the Crown's Nominee was reasonable. Following this year's annual review, and the Government Actuary's independent report, there has been no change in the estimate that overall 45 per cent of the administered estate values and 65 per cent of the now dissolved companies' assets will ultimately be retained by the Crown.

The provisions are calculated by reference to the risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Her Majesty's Treasury discount rate of 0.51 per cent in real terms up to five years from the date of the Statement of Financial Position, 0.55 per cent from five to ten years and 1.99 per cent for more than ten years. The discount factors applied last year were 0.76 per cent, 1.14 per cent and 1.99 per cent respectively.

8.3 Sensitivity analysis

There are three significant factors that potentially affect the estimate of future payments to kin and companies:

- **The percentage of assets retained by the Crown:** the provisions are based on payments to kin and companies over a number of years. With continued media and public interest, payments relating to aged cases could change the assessment of the amount retained by the Crown. A one per cent increase in the estimated level of payments would increase the provisions by £6 million in the year that the increase was applied, with income reduced by the same amount. In each of the years that follow the change, income will be decreased by approximately £860,000.
- **Changes in discount factor:** each one per cent positive increase to the discount factors will decrease the provisions by £2 million and increase income by the same amount in the year that the change was made. In each of the years that follow the change, income will be increased by approximately £400,000.

- **Changes in the number of high value estates and companies claimed:** a proportion of the provisions are accounted for by a small number of unclaimed estates and unrestored companies with a value of £1 million or more. A small variance, from historical trends, in the number of these estates and companies claimed could potentially result in changes to the provision and income of more than £2.5 million, being the average of these high value cases.

9. Contingent liabilities

Under section 1013 of the Companies Act 2006, the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under section 1012 of the Act. The Treasury Solicitor has three years to disclaim, which is reduced to one year on receipt of a specific request to disclaim from a member of the public. However, there is a risk that some property held by the Crown's Nominee could give rise to third party claims. The risk arises primarily from un-disclaimed land, but the current legal view is that such claims, if identifiable, would not succeed and, therefore, no liability has been recognised.

Other liabilities may crystallise at any time, for example, because of a successful claim from kin, the restoration of a company to the Register of Companies for England and Wales or the Companies Register for Northern Ireland, or a personal injury claim. There are no known contingent liabilities at the reporting date.

10. Related-party transactions

The Treasury Solicitor is the Crown's Nominee. The Crown's Nominee Account is administered by the Bona Vacantia Division of the Government Legal Department in England and Wales, and by the Crown Solicitor's Office in Northern Ireland. The Crown's Nominee Account pays administration costs each year to the Government Legal Department and the Crown Solicitor's Office.

The administration costs paid to the Government Legal Department for 2019-20 were £4.5m (2018-19: £3.9 million), and at 31 March 2020, trade and other receivables, Note 5, included £171k relating to the fees which will be reimbursed during 2020-21 (2018-19: £130k, reimbursed in 2019-20).

The administration costs paid to the Crown Solicitor's Office were £71k (2018-19: £71k). These fees are generally paid in the following financial year and the amount is included in Trade and other payables.

Neither the Crown's Nominee, key managerial staff nor other related parties have undertaken any material transactions with the Crown's Nominee Account during the year.

11. Events after the reporting period

In accordance with the requirements of International Accounting Standard (IAS) 10, events after the reporting period are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the date of the Certificate of the Comptroller and Auditor General. There have been no events that would have a material impact on the financial statements for the year ending 31 March 2020.

CCS022026352
ISBN 978-1-5286-1849-6