

SK

STONE KING

Faith Charities in a Mess



# Triggers for CC Intervention

- Complaints from the public, MPs, employees, members, stakeholders, investigative journalists
- Referrals from other government departments - HMRC / SFO / FCA
- Whistleblowing by auditor
- Internal monitoring of charities by CC
  - Annual Returns, Reports and Accounts
  - Charity's compliance record
  - Serious Incident Reports



# CC's decision to act to act?

CC applies a Risk Framework (*available on the Website*):

- Does the Commission need to be involved?  
*e.g. Requires use of the Commission's regulatory powers*
- If yes, what is the nature and level of the risk?  
*e.g. Impact on beneficiaries or charitable assets*
- What is the most effective response in the circumstances?  
*e.g. Guidance?*  
*Will involvement have a significant impact?*  
*Risk of not acting?*  
*Resource implications?*



# CC's powers to intervene

Powers to:

- Give general advice
- Direct application of charity
- Appoint or remove a charity trustee in certain circumstances
- Determine membership (if requested by charity)

New powers in Protection of Charities Bill:  
disqualification or banning of trustees, official warning of breach, direction to wind up.



# Formal Inquiry

## S.46 Charity Act 2011

1. Pre-investigation assessment - *Apply Risk Framework*
2. Charity Commission officer or outside expert allocated to investigate
3. Notification letter to the Trustees
4. Information gathering
5. Setting a plan of action for the Trustees
6. Monitoring and follow up
7. Opportunity to comment on final statement
8. Publishing a statement of results – PR considerations



# CC powers triggered by S.46 Inquiry

- Compel production of relevant papers and attendance of individuals.
- Determine membership where:
  - Misconduct/mismanagement in administration or
  - Necessary/desirable to protect the property or
  - Necessary/desirable to secure proper application of assets for the charity's purposes



# CC powers triggered by S.46 Inquiry

- Suspend/remove trustees, employees or agents, and any concurrent charity membership
- Appoint trustees, employees or agents
- Establish a scheme for the administration of the charity
- Direct specified action to be taken by a charity or its trustees or employees
- Order any debtor not to pay the charity, without CC approval (eg freezing on bank accounts)
- Restrict the transactions of a charity
- Appoint an Interim Manager



# KICC – 1<sup>st</sup> Inquiry (2004)

## Problems identified:

- Church leaders made all decisions, trustees not always consulted
- Gift Aid administration
- Unauthorised benefits to Senior Pastor:
  - Remuneration
  - IPR from books & videos available worldwide





# KICC – 1<sup>st</sup> Inquiry (2004)

IM appointed:

Outcomes:

- Senior Pastor's remuneration/IPR renegotiated
- Church continues to grow

Lessons:

- Understand roles of ministers & trustees
- Transparency in housing & maintenance of leaders



# Khalsa Centre (2013)

## Problems identified:

- Internal conflict leading to breakdown of effective governance
- Attempted election of trustees disputed – gerrymandering alleged
- Appointment of Interim Trustees by CC did not end conflict
- Allegations about “the President”
- Poor constitution – trusteeship & membership unclear



# Khalsa Centre (2013)

IM appointed

Outcomes:

- New membership register requiring ID
- Suspension of the President
- Election of new trustees
- Gurdwara continues - new constitution

Lessons:

- Review constitution and follow it
- Be transparent & accountable to members



# Al Fatiha Global (2015)

## Problems identified:

- 2008 – aid to Pakistan
- 2011 – “mission creep” to Bosnia, Gaza, Syria
- 2013 - £1.2m
- Convoys to Syria – poor control – awful PR
- Sadaqah implies 100% voluntary giving, so nothing for administration of M&E
- Poor constitution – non-quorate trustees



# Al Fatiha Global (2015)

IM appointed 23 Dec 2014

- Support from Muslim Community – Zakat
- Fundraising – delivery of humanitarian aid to Syria
- Sadaqah implies 100% giving - nothing for administration or monitoring & evaluation
- Banks & merchant services unhelpful
- Volunteers acting for AFG without control
- Police interest in convoys
- Aid packages in Turkish warehouse



# Al Fatiha Global (2015)

## Outcome (so far):

- Trustees quorate & understanding of role
- Turkish warehouse checked out by PwC
- M&E operation appointed on advice from FCO contact
- Cultural difficulties – “we know Syria, leave it to us”

## Benefits of Winter Delivery

- refugees in real need
- if all well, better PR, hence need for M&E



# AI Fatiha Global (2015)

## Lessons:

- Avoid mission creep
- Create parameters for volunteers
- Importance of M&E, particularly offshore
- PR – quick to go, hard to restore – and can destroy a charity
- IM appointments will increase – at cost of the charity in a mess
- Could this happen to a Catholic charity??

SK

STONE KING

BATH • LONDON • CAMBRIDGE