

Inquiry Report

Grace Church Christian Centre Limited

Registered Charity Number 1095218



A statement of the results of the class inquiry into double defaulter charities in particular Grace Church Christian Centre Limited (registered charity number 1095218).

Published on 18 November 2013.

The Class Inquiry

On 20 September 2013, the Commission opened a statutory class inquiry ("the Inquiry") into charities that were in default of their statutory obligations to meet reporting requirements by failing to file their annual documents for two or more years in the last five years and met certain criteria, including that

- the charities were recently (or in the case of charities that would become part of it in due course, would be) given final warnings to comply by a specified date; and
- on the day after the specified date they were still in default (partially or otherwise).

At the point a charity met the criteria they would become part of the Inquiry. The Commission started by looking at and sending final warnings to charities with a last known income over £500,000.

The Charity

Grace Church Christian Centre Limited ("the Charity") was registered on 6 January 2003. It is a charitable company governed by memorandum and articles of association dated 2 August 2002, and amended by a special resolution dated 1 June 2006.

The Charity's objects are:

'to promote the advancement of the Christian religion throughout the United Kingdom and abroad through the provision of residential and non-residential support for the Needy, in particular those disadvantaged or liable to be disadvantaged by the consequences of mistreatment, with particular reference to substance-based and emotional abuse'.

More details about the Charity are available on the Register of Charities which can be accessed through the Charity Commission's website¹.

Issues under Investigation

The Charity failed to submit to the Commission any annual returns over the last five financial years, namely those ending 31 March 2008, 31 March 2009, 31 March 2010, 31 March 2011 and 31 March 2012, and the relevant annual accounts and reports where the income was over £25,000 for that year, although as no returns had been submitted, it was not known which years this may apply to. The Charity's last known income was, £533,927 for the financial year ending 31 March 2005. The Charity was sent various computer generated reminders from the Commission regarding the submission of their annual accounting documents.

¹ <http://www.charitycommission.gov.uk/find-charities/>

Further to this the Commission wrote to the Charity with a final warning on 9 September 2013 requesting that the missing documents be provided by 13 September 2013. The Commission warned what would happen if the Charity remained in default. The Charity has been in default of its obligations under the Act for a lengthy period of time, in respect of more than one set of documents and in spite of receiving numerous reminders.

The Charity met the criteria and became part of the Inquiry on 23 September 2013.

The Inquiry is confined to dealing with the trustees' mismanagement and misconduct² and remedying the non-compliance in connection with the annual accounting documents.

During the Inquiry the Charity filed the annual accounts, reports and returns for the financial years ending 31 March 2009, 31 March 2010, and the missing annual returns for the financial years ending 31 March 2011 and 31 March 2012, on 25 September 2013. The Charity filed the missing accounts, report and return for the financial year ending 31 March 2008 on 26 September 2013. The 2008 annual return was no longer available online for the Charity to complete due to the length of time it was overdue; a hardcopy form was sent to the Charity on 25 September 2013 and they duly completed it and submitted it the next day. The correspondent for the Charity, acting on behalf of the trustees, informed the Inquiry on 26 September 2013 the reasons for not complying were as follows;

The Charity had "not been in receipt of any correspondence concerning failure to provide Accounts or Annual Returns whether by phone, email or letter prior to the letter sent to the Companies [sic] Registered Office Address dated 06.09.2013".

The Charity had engaged the services of a local firm of chartered accountants, who had been "appointed from the time the Charity started up to deal with all accounting matters and submit all accounts up to the year end 2010".

"Up until the Charity Commission's letter dated 06.09.2013 the Trustees were under the understanding that the accountants appointed "had submitted all accounts required to the Charity Commission up to year end 2010".

The Charity provided a letter from the accountants "confirming their oversight and acknowledging fault with regards to the accounts submission for year end 2008, 2009 and 2010".

The local chartered accountants were notified in 2011 that the Charity's correspondent "would deal with the accounts due to the downscaling of the Charity. Accruals accounts were produced for year end 2011 and 2012 and kept on record. As the income level was below £25,000 the accounts did not need to be submitted to the Charity Commission".

"Concerning Annual Returns, the Trustees believed that these had been submitted by" the local chartered accountants engaged.

The Charity also made the point that as the accounts were filed with Companies House they were publicly available.

The Charity did not comment on the failure to submit annual returns for the financial years ending in 2011 and 2012.

2 The terms misconduct and mismanagement are taken from section 76 of the Charities Act 2011. Misconduct includes any act (or failure to act) in the administration of the charity which the person committing it knew (or ought to have known) was criminal, unlawful or improper. Mismanagement includes any act (or failure to act) in the administration of the charity that may result in significant charitable resources being misused or the people who benefit from the charity being put at risk. A Charity's reputation may be regarded as property of the charity.

When the Charity's missing documents were submitted, the accounts were referred for scrutiny by the Commission's accountants and any issues have been or are being followed up separately.

Conclusions

The Charity's trustees were in default of their legal obligations to file returns and accounting information with the Commission, particularly they had failed to submit to the Commission any annual returns over the last five financial years and the relevant annual accounts and reports where the income was over £25,000 for that year. This was mismanagement and misconduct in the administration of the Charity and a breach of their legal duties.

Charities which are companies are also under obligations under company law to prepare and file accounts at Companies House, irrespective of their size. From the Commission's enquiries, it was established that the Charity had filed their accounts with Companies House. Although in four out of five years' accounts the Charity's income was under £25,000 and so the Charity was not required to submit them to the Commission, this was not the case for one of the years. There was therefore no excuse for it not submitting those accounts to the Commission.

The reasons the Charity gave for non compliance does not absolve them of responsibility for the defaults; it is the legal responsibility of the Charity and the trustees to ensure that their annual accounting information has been submitted to the Commission even in circumstances where the submission of this information has been delegated. It is the responsibility of the Charity and its trustees to ensure that records and information held by the Commission, and displayed on the register of charities, is accurate; this includes the details of the current trustees, contact details for the Charity, and annual returns, annual reports and accounting documents in line with the statutory requirements. If they had submitted annual returns on time, then it would have been evident to the Commission and the public that the Charity was not required to file accounts for the years 2009, 2010, 2011 and 2012.

As a result of the Inquiry, the Commission ensured the Charity complied with its legal obligations to submit their annual accounting information and its records are now up to date.

The Charity ceased to be part of the Inquiry when it was no longer in default of its accounting obligations. This happened on 26 September 2013 when the Charity filed the last missing documents.

Regulatory Action Taken

The Commission used its information gathering powers under section 52 of the Charities Act 2011 (the "Act") to order and obtain bank records and financial information of the Charity relating to the missing years accounts. These will be used in connection with the Commission's scrutiny of the accounts.

On 24 September 2013 the Inquiry exercised powers under section 84 of the Act to direct the trustees to prepare and complete the relevant missing annual accounts, reports and returns for the Charity and provide copies of these to the Commission.

The Commission provided regulatory advice and guidance about the trustees' duty to file its annual accounting information.

Issues for the wider sector

Trustees of charities with an income of £25,000 or over are under a legal duty of charity trustees to submit annual returns, annual reports and accounting documents to the Commission as the regulator of charities. Even if the Charity's annual income is under £25,000 trustees are under a legal duty to prepare annual accounts and reports and should be able to provide these on request. All charities with an income over £10,000 must submit an annual return. Submitting an annual return to the Commission enables it to determine whether the charity trustees need to submit reports and accounts in any financial year and ensure that they meet their filing requirements.

Failure to submit accounts and accompanying documents to the Commission when required is a criminal offence. The Commission also regards it as mismanagement and misconduct in the administration of the Charity.

For those individuals who were not trustees at the initial date of default, when they became a trustee, they became responsible for making good the default.

It is important that the financial activities of charities are properly recorded and their financial governance is transparent. Charities are accountable to their donors, beneficiaries and the public. Donors to charity are entitled to have confidence that their money is going to legitimate causes and reaches the places that it is intended to. This is key to ensuring public trust and confidence in charities.

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