

# Inquiry Report

Shalom Employment Action Centre

Registered Charity Number 802730



# A statement of the results of the class inquiry into double defaulter charities in particular Shalom Employment Action Centre (registered charity number 802730) ('the charity').

Published on 1 July 2015.

## The class inquiry

On 20 September 2013, the Charity Commission ('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
- 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 and then moved on to those over £250,000 and other high income charities.

## The charity

The charity was registered on 14 March 1990. It is a charitable company governed by memorandum and articles of association dated 6 April 1988.

The charity's objects are:

To advance the education and training of people in the London borough of Newham without distinction of sex race disability or sexual orientation or political religious or other convictions.

More details about the charity are available on the [register of charities](#) ('the register').

## Issues under investigation

The charity failed to submit its annual accounts and reports and annual returns to the commission required for the financial years ending 31 December 2012 and 31 December 2013. During the whole period of default, the charity was sent various computer generated reminders from the commission regarding the submission of their annual accounting documents. Although reminders were sent the charity remained in default of its obligations under the Charities Act 2011 ('the act').

In addition, the commission attempted to contact the charity by telephone on 7 January 2015. Further to this the commission wrote to the charity with a final warning on the same date requesting that the missing documents be provided by 27 January 2015, and warning the charity that if it remained in default on 28 January 2015 it would become part of the inquiry.

The charity failed to submit its outstanding documents by the deadline and became part of the inquiry on 28 January 2015.

The inquiry is confined to dealing with the trustees' mismanagement and misconduct<sup>1</sup> and remedying the non-compliance in connection with the annual accounting documents.

The outstanding annual accounts and reports and annual return for the financial year ending 31 December 2012 were submitted on 23 March 2015. The annual return for the financial year ending 31 December 2013 was submitted on 20 April 2015 and the accounts and reports for the financial year ending 31 December 2013 were submitted on 29 April 2015.

A trustee informed the inquiry on 6 February 2015 in a telephone call that the reasons for not complying were that the charity had ceased operating from July 2014 due to insufficient funds, and that the trustees had no access to the charity's records which remained at their last registered address. It was also explained that the trustees could not receive any correspondence the commission may have issued to this address concerning the outstanding annual return and accounting information.

When the charity's missing documents were submitted, the accounts were referred for scrutiny by the commission's accountants and if any issues arise from that they will be followed up separately.

## Conclusions

The charity's trustees were in default of their legal obligations to file accounting information with the commission. 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. There was therefore no excuse for it not submitting the charity's accounts to the commission.

As a result of the inquiry, the commission ensured the charity complied with its legal obligations to submit their annual accounting information. Two sets of accounts were filed and as a result £369,698.00 of charitable income is now transparently and publicly accounted for on the register.

The charity ceased to be part of the inquiry when it was no longer in default of its accounting obligations. This happened on 29 April 2015 when the charity filed the last missing documents.

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<sup>1</sup> 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.

## Regulatory action taken

The commission used its information gathering powers under section 52 of 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 4 February 2015 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.

Order extensions were provided, first on 5 March 2015 and again on 19 March 2015.

The commission provided regulatory advice and guidance about the trustees' duty to file the charity's annual accounting information.

## Issues for the wider sector

Trustees of charities with an income of over £25,000 are under a legal duty as 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 not greater than £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.

Failure to submit accounts and accompanying documents to the commission 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.

It is important that a charity that has ceased operating is dissolved in accordance with its governing document and the commission is promptly notified in order that it can be removed from the central register of charities. Before doing so trustees of charities with an income of over £25,000 are under a legal duty as charity trustees to submit all outstanding annual returns, annual reports and accounting documents to the commission as the regulator of charities.