CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

All Wales Ethnic Minority Association (AWEMA)

Former Registered Charity Number 1108479

A statement of the results of an inquiry into AWEMA.

Published on 16 November 2016.

The charity

AWEMA ('the charity') registered as a charity on 8 March 2005.

The charity was a company limited by guarantee incorporated on 24 November 2000 and governed by a memorandum of association and articles of association.

On 7 May 2014, the Charity Commission ('the commission') removed the charity from the register of charities.

The charity's objects were:

> a) To promote equality and diversity for the benefit of the public, in particular, but not exclusively in Wales by:
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> > i. developing the capacity and skills of members of ethnic minority communities in such a way that they are better able to identify, and help meet their needs and participate more fully in society;
> >
> > ii. advancing education in equality and diversity whether by teaching or producing material; and
> >
> > iii. raising awareness of all aspects of discrimination in society on the basis of race or ethnic minority status by publications, public advocacy and other means of communication.
>
> b) To promote racial harmony for the public benefit, in particular but not exclusively in Wales, by promoting good race relations and the elimination of racial discrimination.

In practice, the charity received funding from bodies such as the Welsh European Funding Office (WEFO) and then acted as a delivery agency. The charity acted as the lead partner amongst a number of organisations to deliver the projects financed by WEFO and other funding bodies.

The charity had a Council of Members ('The AWEMA Council') that was drawn from the 5 electoral regions of Wales. The charity's trustees, who were responsible for the management and administration of the charity, were elected from the Council of Members and were known as the AWEMA management board ('ABOMA').

The charity's articles of association specified at Article 6.2.3 that the 'most senior paid executive of AWEMA for the duration of his/her appointment' would be a member of ABOMA and therefore a trustee. In practice, the highest paid and most senior staff member was the Chief Executive Officer (CEO).

The charity received significant funding from the Welsh Government, the Big Lottery Fund (BLF), the European Social Fund (ESF) and the Equality, Diversity and Inclusion Division (EDID). The ESF's funding was administered by WEFO.

Throughout the commission's engagement with the charity, and prior to this inquiry commencing, there was significant public interest, in particular media attention, focused on the charity.

Background

On 6 January 2012, an investigation into the charity was launched by the Welsh Government and the BLF after the respective bodies received a number of complaints about the charity's governance and financial mismanagement. The report that was subsequently published at the close of this investigation states that the funding that the charity was receiving from these 2 organisations was suspended pending the outcome of their investigations.

In October 2011, a staff member made allegations of sexual harassment and victimisation against the CEO. Two days after making these allegations, the staff member was suspended by the CEO and shortly after dismissed from their position.

Following their dismissal, the staff member made a number of further allegations to the charity's trustees against the CEO. These allegations included financial mismanagement and the application of improper management practices more generally.

After those allegations were made to the charity's trustees, a number of further complaints were made by former and current staff members about the CEO's conduct, with additional complaints made that his family members were employed in high level positions within the charity and remunerated disproportionately.

The charity hired an independent investigator at this point to investigate the complaints raised. The investigator ultimately concluded that the CEO had misappropriated funds and inappropriately influenced the decision to hire his family members. The independent investigator's conclusions have been disputed by the charity's CEO and final chair of the trustee board.

On 16 December 2011, an Extraordinary General Meeting (EGM) was held by the charity's trustees to elect a new chair. Immediately following the passing of the proposed resolution at the EGM and the appointment of a new chair, the charity's trustees held a board meeting, convened by the newly appointed chair. It was determined at this meeting that on 19 December 2011 the CEO would attend a disciplinary hearing with the newly appointed chair and 2 trustees. The CEO ultimately received a written warning in relation to alleged financial misconduct and an oral warning for failing to declare a conflict of interest in relation to the hiring of his family members.

On 18 December 2011, the charity's treasurer and outgoing acting chair reported a serious incident to the commission.

On 22 December 2011, following the EGM, the charity's newly appointed chair of the trustee board reported a serious incident to the commission. The nature of the charity's staff members' complaints against the CEO were detailed, as was the disciplinary action taken by the trustees.

On 30 January 2012, the charity's newly appointed chair of the trustee board provided a statement to the commission criticising the conduct of the former trustees of the charity. The chair's statement also challenged the evidential basis on which the independent investigator had reached their conclusions.

On 9 February 2012, the Welsh Government and the BLF published their report into the charity. They concluded that there were issues in relation to the following:

a) Poor governance

i. The trustees had insufficient oversight of the CEO's actions.

ii. Trustee meetings were held too infrequently.

iii. The trustee board was not freshened up regularly enough.

iv. There was an inherent conflict of interest in having a trustee who also served as a CEO.

b) Financial mismanagement

i. Insufficient oversight of financial matters.

ii. The staff payroll was not subject to sufficient control.

iii: The charity did not have an expenses policy in place.

On 22 March 2012, the charity entered into liquidation and effectively ceased to operate. The charity was subsequently dissolved on 12 March 2014.

Issues under investigation

On 9 February 2012, following the serious incident report by the charity's chair of the trustee board and the publication of the report by the Welsh Government and BLF, the commission opened an inquiry into the charity under the then section 8 of the Charities Act 1993.

The inquiry was opened into the following regulatory concerns:

a) Poor financial management

b) Failure in the charity's governance

c) Potential unauthorised trustee benefits

d) Unmanaged conflicts of interest

The commission's investigation was significantly delayed as the charity's CEO stood trial for fraud related to alleged misconduct during his employment at the charity. The Crown Prosecution Service (CPS) requested that the commission did not interview the CEO for the purposes of the inquiry until the conclusion of the criminal trial.

On 29 August 2014, at Swansea Crown Court the CEO was found not guilty of 2 counts of fraud, and the jury was unable to reach a verdict on a third count of fraud. On 5 September 2014, the CPS decided not to pursue a retrial in relation to the third count of fraud.

Additionally, in June 2014, 5 former trustees of the charity were disqualified from taking director roles under section 6 of the Company Directors Disqualification Act 1986. All 5 of these trustees submitted their own disqualification undertakings, which were accepted by the Secretary of State for the Department of Business, Innovation and Skills, and received disqualification periods ranging from 4 to 5 years.

Proceedings to disqualify the charity's CEO and 2 other former trustees were also commenced under the same provisions. However, these proceedings were subsequently withdrawn by the Secretary of State and the relevant parties were ultimately not disqualified from becoming a director of any organisation now or in the future.

Only then was the commission's inquiry able to continue and conclude. The CEO has since provided the commission with a large volume of documentary evidence to assist with the inquiry.

Findings

The commission identified and made findings relating to a number of areas in relation to the governance and financial management of the charity, which are addressed in turn.

Governance and management of the charity

Lack of training for trustees

During the course of the inquiry, the commission conducted 9 interviews with individuals involved with the charity, 8 of whom served as trustees, with the remaining interviewee being the charity's financial director. One of the 8 trustees interviewed was the charity's CEO, who served a dual role.

It was repeated throughout these interviews that after 2005, newly appointed trustees ceased receiving training on what the role entailed. Inconsistent information was provided as to whether trustees were provided an induction pack upon commencing their position, but the CEO of the charity confirmed in his interview for the inquiry that newly appointed trustees were not given a copy of the charity's constitution. The constitution was though permanently displayed on the charity's website.

The lack of training provided to the charity's trustees is a cause of concern to the commission. The inquiry has established that some individuals appointed as charity trustees did not have an adequate understanding of the role they agreed to fulfil.

Two trustees acknowledged when interviewed for the inquiry that they did not fully appreciate the importance of the role, or the level of commitment it required. One of these trustees further acknowledged that they did not know the role imposed legal obligations on them, and assumed they simply needed to attend meetings once or twice a year.

Another former chair of the charity's trustees confirmed to the commission when interviewed that the trustees were not competent to deal with certain matters, most crucially the complaints made by the staff member against the CEO. In this interview, the former chair admitted that in their view, the trustees' failings contributed to the charity's ultimate demise.

The inquiry found that 5 of the charity's trustees interviewed did not receive adequate training upon commencing their role, which contributed to them not appreciating the responsibility the role entailed. This left the charity ill-equipped to successfully manage internal problems, such as the allegations made against the CEO, leaving the charity vulnerable and eventually contributing to its closure.

Trustee meetings

The charity's Articles of Association stated at Article 8.1 that ABOMA would meet at least 4 times a year and Article 4.1 provided that the AWEMA Council would meet at least twice a year.

Between 2008 and the date the charity entered liquidation, neither ABOMA nor the AWEMA Council met at such regular intervals. In 2008 and 2009, the trustees held one meeting as well as their annual general meeting (AGM), and in 2010 they held 2 meetings. Between February 2009 and January 2010, there was an interval of 11 months where the only meeting that took place was the charity's AGM.

The inquiry therefore finds that in each of those 3 years, the trustees failed to abide by the charity's articles of association.

Due to the lengthy periods of time where the trustees did not meet, which regularly exceeded 6 months, the inquiry finds that they would have been unlikely to have effectively planned and monitored what work was being undertaken by the charity, or how the charity was functioning on a daily basis. The inquiry considers that the lack of regular meetings was a significant contributory factor in the trustees having insufficient oversight of the charity's operations and the decisions being taken by management.

The lack of oversight of the charity's work by the trustees resulted in the actions of the CEO and his fellow senior staff members not being properly supervised or scrutinised. The CEO was therefore the most senior person with oversight in the charity and was an individual with significant influence and control whose actions were largely unchallenged.

Conflicts of interest

The charity's CEO served a dual role for the charity, acting as a trustee in addition to his role as CEO. When interviewed for the inquiry, the CEO stressed that he did not vote on decisions at trustee meetings and considered his attendance as the CEO of the charity rather than as a trustee. Whilst the minutes of the trustee meetings up until the aforementioned EGM confirm that the CEO attended trustee meetings as the secretariat and did not vote on charity matters, the minutes from trustee meeting following the EGM are inconclusive as to whether the CEO voted at these events. Three of the charity's trustees did though confirm when interviewed for the inquiry that they too did not view the CEO as a trustee.

By contrast, when interviewed as part of the inquiry, the charity's final serving chair described the situation as to the CEO's dual role at meetings as 'fluid', with another former chair stating when interviewed that the CEO attended meetings in both this guise and as a trustee. The inquiry therefore finds that there was clearly uncertainty amongst some of the trustees as to whether the CEO served as a trustee, meaning this conflict of interest was potentially not always identified and managed.

In addition to the CEO's dual role as senior staff member and trustee, family members of his were employed within the charity - his daughter and daughter-in-law both occupied paid positions - creating a further potential conflict of interest including when dealing with staff related issues. When interviewed as part of the inquiry, 2 of the charity's former trustees stated that it was never discussed amongst the trustees how these potential conflicts would be managed.

The first position occupied by the CEO's daughter was filled by the trustees. The evidence reviewed by the inquiry demonstrates that the CEO properly and correctly avoided involvement in the recruitment process of his daughter, and had no direct influence on the other trustees' decision to hire her.

The CEO did sit on the panel that interviewed his daughter-in-law, but when interviewed for this inquiry, he advised that at this point his son had yet to commence a relationship with her. The CEO further explained that his daughter-in-law was only offered her position after the first choice for the role turned down the charity's offer of employment.

The inquiry established that following her appointment, the CEO's daughter was promoted rapidly within the charity, receiving significant increases in her salary. She was ultimately promoted to the position of operations director within the charity, and so was required to report directly to the CEO, her father. This presented a situation where there were conflicts of interest on decisions such as pay, annual performance and allocation of work.

The minutes from trustees' meetings reviewed as part of the inquiry do not evidence that the charity's trustees provided adequate oversight over the decision to promote the CEO's daughter. One trustee acknowledged when interviewed as part of the inquiry that the trustees were never advised of these internal promotions, and another admitted ignorance as to whether the charity's trustees had any involvement in recruitment at all. The CEO, in his interview for the inquiry, stated that with the exception of the charity's treasurer, it was possible that none of the trustees were aware of these salary increases.

In total, the CEO's daughter's salary increased by £30,000 in the 3 years in which she was employed by the charity. Two of the charity's trustees confirmed when interviewed as part of the inquiry that they had no knowledge of increases in staff salaries, and the minutes reviewed during the inquiry give no indication that the matter was ever meaningfully discussed at trustee meetings.

It is the inquiry's view that the trustees did not exercise sufficient scrutiny of staff members' salary increases, including the decision that the CEO's daughter should receive rapid promotions and large increases in her salary. The inquiry considers that the failure of the trustees to provide sufficient oversight resulted in potential conflicts of interest not being managed, risking conflict and morale issues amongst other staff.

Insufficient oversight of staff complaints

On 4 October 2011, an employee of the charity made an allegation of misconduct against the CEO; this allegation was made orally to the operations director, the CEO's daughter, who then relayed the complaint to the CEO.

Prior to informing the trustees of this complaint, the CEO took the decision to suspend the staff member. The letter of suspension informed the staff member that they should formalise their complaint in writing within the next 2 weeks.

The charity's written policy on staff complaints, as contained in the staff handbook, clearly stated that any complaint against the CEO should be immediately referred to the trustees for consideration. This did not happen, as the CEO first suspended the staff member and then informed the trustees.

When interviewed as part of the inquiry, the CEO explained that the decision to suspend the staff member was taken as he feared for his personal safety, although it was not explained why he was fearful. The CEO confirmed when interviewed that the complaint was only brought to the trustees' attention after he had suspended the staff member.

Two days after suspending the staff member, the CEO formally dismissed the staff member in writing following a decision taken by 3 of the charity's trustees. Ultimately, the staff member brought a claim for unlawful dismissal and sexual harassment to the Employment Tribunal. Whilst the claim for unlawful dismissal was withdrawn as the charity had since gone into liquidation, the Employment Tribunal upheld the staff member's harassment and victimisation claims.

In the judgement, the Employment Tribunal described the charity's internal investigation of the staff member's allegations as 'a sham'.

The inquiry found that the trustees did not effectively handle this complaint against the CEO and the conflicts of interest that arose from the CEO suspending and ultimately dismissing the person that had made a complaint about him. When the CEO attended his disciplinary hearing on 19 December 2011 in front of a panel of 3 of the charity's trustees, no consideration was given to the manner in which the CEO handled this staff member's complaint. The trustees did though consider a number of separate complaints that were lodged by other staff members of the charity and concluded that the CEO should be offered words of advice on his internal management skills.

As one trustee explained to the inquiry when interviewed, the CEO was left to manage the charity's affairs and only reported to the trustees to get matters formally ratified. This approach appears to have extended to internal staffing matters, including when there was a clear conflict of interest as in the case of a staff member complaining about the CEO's conduct, with the CEO suspending the staff member before referring the matter to the charity's trustees.

On 30 November 2011, the charity's EGM was convened. At the EGM, a new chair was appointed. A board meeting was subsequently held on the same day, with 3 trustees walking out in protest at the action taken at the EGM. A fourth trustee also walked out during the course of the meeting. In January 2012, all 4 of these trustees resigned. As the outgoing acting chair detailed to the inquiry, she felt that her replacement effectively sought to force those trustees who continued to question the CEO's conduct into leaving the meeting of 16 December 2011. This would allow the allegations against the CEO to be 'swept under the carpet'. This view has been vehemently rejected by the incoming chair and the charity's CEO, who pointed to the disciplinary action taken against the CEO on 19 December 2011.

It is the inquiry's view that by this point, the trustees were divided to such an extent that they were unable to rectify the errors made in managing the complaint made against the CEO. In their interview for the inquiry the outgoing acting chair acknowledged that the trustees' failings in this regard contributed to the charity's downfall.

Financial mismanagement

Lack of oversight of the charity's finances

The inquiry's view is that there was limited oversight by the trustees of the charity's financial management and administration. The CEO confirmed when interviewed for the inquiry that he himself had limited oversight or awareness of how the charity's finances were administered. Since this interview, the CEO has though provided the inquiry with evidence that demonstrates that the charity's financial director was providing regular updates to the charity's treasurer, a serving trustee.

When interviewed as part of the inquiry, the other trustees of the charity advised that the financial director rarely provided them with financial updates, and made no reference to receiving updates from the treasurer. In the absence of frequent meetings, and based on the testimony of the charity's trustees, the inquiry finds that the trustees were largely unaware of how the charity's resources were being used or how spending featured against budgets.

The commission's guidance[1] makes clear that a charity should have procedures for sharing monthly or periodic financial information with budget holders, operational managers and trustees and that trustees of charities of all sizes need access to accurate and up-to-date financial information to enable them to make proper decisions. It makes clear that trustees' meetings should be used to communicate information concerning the finances and financial management of the charity.

1 **Internal financial controls for charities CC8**, published in July 2012.

When interviewed as part of the inquiry, several trustees confirmed that they had limited knowledge of the charity's financial affairs and were content to leave such matters to the financial director, who was presumed to have a better understanding of such matters.

When an audit of the charity's financial affairs was completed, the trustees had no involvement in the process. The financial director advised during his interview for the inquiry that the sole interaction with the charity's auditors came from him and the CEO.

The inquiry established that following the second set of complaints made against the CEO in late 2011, the relationship between the CEO and the financial director deteriorated.

The inquiry notes the evidence provided that the charity's treasurer had some oversight of the charity's financial affairs, however the inquiry finds that overall there was inadequate oversight of the charity's financial affairs by the trustees.

Failure to file accounts

Trustees have a number of legal duties that must be met in relation to accounting and financial reporting. These include ensuring that accounts are subjected to any external scrutiny required by law or by the charity's governing document and that the trustees' annual report, accounts and annual return are filed on time with the commission where filing is required by law and, if the charity is a company, also filed with Companies House.

Subsequently, the charity failed to comply with their filing deadlines for the years ending 31 March 2011 and 31 March 2012. The charity did not file its accounts with either the commission or Companies House for these years.

Charity expenses and staff benefits

It is important that controls over payments of expenses are applied without exception to all those involved with the charity: trustees, staff members and volunteers. Expense claims should be authorised by someone other than the claimant and checked for accuracy before payment.

The CEO and other charity staff members and volunteers claimed expenses for various purposes and also received benefits paid for with the charity's resources. These benefits included tickets to 3 separate sporting events and gym memberships.

During his interview as part of the inquiry, the charity's CEO acknowledged that the tickets to these sporting events were purchased respectively as a gesture of gratitude to 2 of the charity's volunteers, for the financial director and for staff members generally as they had been working overtime without additional payment. He acknowledged that the charity's trustees were unaware that staff members received gym membership as a benefit of their employment.

Upon being interviewed for the inquiry, 4 of the charity's trustees confirmed that they had had no knowledge of staff members receiving gym membership as a benefit or of the purchase of the sporting tickets. The CEO though insisted that all trustees were advised via email of the purchase of the sporting tickets, and were in fact offered the chance to attend the events in question. One trustee, when interviewed for the inquiry, stated that they had asked the CEO how the tickets for a rugby match had been purchased; when the CEO responded that charity funds had been used, the trustee stated that they informed the CEO that they thought that was inappropriate. This is the sole instance identified by the inquiry of the CEO being questioned as to whether this was a prudent or appropriate use of the charity's resources.

In addition, the CEO and other staff members of the charity made numerous claims for expenses for significant amounts. For example, records and invoices examined as part of the inquiry indicate that whilst travelling on charity business, the CEO and other staff members would stay in hotels costing in excess of £150 per night, whilst staying overnight in places such as Kent and Llandudno. They would simultaneously spend large sums at business cost at restaurants on food and alcohol. On one occasion, the CEO and his spouse, a volunteer with the charity who was accompanying the CEO on charitable outreach work, stayed overnight together at a hotel in Llandudno and upgraded to a 'deluxe' room at a cost of £180 to the charity.

By contrast, when trustees travelled overnight to attend charity meetings or functions, they would stay in hotels whose rates were significantly cheaper and more reasonable. When interviewed for the inquiry, one trustee, who was a former chair of the trustees, stated that they had always just assumed that staff members were staying in hotels that cost a similar amount to those used by trustees.

The inquiry found irregularities with the manner in which some expenses were accrued and sanctioned.

The CEO also used the charity's funds to pay a parking fine he had accrued. When interviewed during this inquiry, the CEO admitted this was wholly inappropriate and that the trustees had had no prior knowledge of this payment being authorised.

Both the CEO and the financial director used personal credit cards when conducting charity business. The CEO acknowledged when interviewed during the inquiry that he would submit his credit card statements to the financial director in order to claim his expenses. There was no differentiation in the records between personal and charitable expenditure on the credit card statements.

In their interview during the inquiry, the charity's former financial director stated that the CEO's expenses were meant to be subject to trustee approval, but in practice were issued before this approval was obtained.

During the interviews conducted for this inquiry, the charity's trustees, CEO and former financial director were asked about one specific instance where the CEO was purported to have issued himself a cheque for £9,340 so that he could clear the expenses incurred on his credit card, but with £5,000 paid as advance expense payments; it was this payment for which the CEO received a written warning, as detailed.

When interviewed for the inquiry, it was also acknowledged by the CEO that the trustees were never consulted and therefore had no oversight of or input into the decision to authorise this claim for significant advance expenses. Two trustees admitted to the inquiry that they had no knowledge about how the CEO's expenses were administered.

The inquiry found that within the charity there was a lack of clarity amongst the trustees over who had authority to authorise the CEO's expenses. This uncertainty resulted in poor controls over the authorisation of expenses resulting in a situation where the CEO was potentially able to issue himself cheques for large sums, including projected future expenses, with no meaningful oversight from the trustees. The inadequate oversight also meant that the trustees could not be assured that all expenses incurred on behalf of the charity were reasonable.

Conclusions

The commission has reached a number of conclusions regarding the governance and financial management failings within the charity:

a) A number of the trustees acknowledged when interviewed for the inquiry that they had received insufficient training relating to their role and the responsibilities it entailed. This lack of training contributed to certain trustees failing to appreciate the significance of the role that they had agreed to fulfil and the legal duties being a trustee imposed on them.

b) The trustees failed to comply with the charity's governing document - the AWEMA Council and ABOMA trustee meetings did not take place as regularly as required. The lack of meetings and inadequate reporting at them resulted in the trustees having insufficient control and oversight of the charity's activities and the decisions being taken by management.

c) The trustees failed to act in the charity's best interests and had little or no oversight of the charity's management. Trustee meetings were held at irregular and infrequent intervals, and there were inadequate reporting arrangements. This ultimately resulted in insufficient oversight of the management of the charity, and issues with the use of charity's funds were not identified nor prevented.

d) The lack of oversight of the charity's work by the trustees resulted in the actions of the CEO and senior staff members not being properly supervised or scrutinised on key matters. The CEO was therefore the most senior person with oversight and he had significant influence and control, including over matters in which he had a potential conflict of interest.

e) Under charity law, trustees have a legal duty to submit the charity's annual accounts and report to the commission. This was not completed for the charity for the years ending 31 March 2011 and 31 March 2012, the final 2 years in which the charity was operational.

f) Conflicts of interest were not identified or dealt with properly. When a staff member submitted a complaint against the charity's CEO, the charity's staff handbook specified that the trustees should have been made aware of this complaint immediately. The CEO instead suspended the staff member before consulting the trustees.

g) The trustees did not always take adequate steps to manage the conflicts of interest related to the positions held within the charity by the CEO's family members. The CEO's daughter was promoted rapidly within the organisation, resulting in 2 family members having significant control within the charity. In addition, the commission is not satisfied that the significant and rapid salary increases that the CEO's daughter received were subject to adequate scrutiny by the trustees.

h) The trustees failed to comply with their duty to manage the charity's resources responsibly. As part of this duty, the trustees had to ensure that the charity's assets were only used to support or carry out its purposes and were spent prudently. The CEO and other staff members spent charity resources on expensive hotels and staff meals, sporting events and on one occasion to pay a parking fine. The trustees' lack of oversight and scrutiny of the charity's finances meant that they were unaware of the inappropriate use of the charity's resources. The failure of the trustees to put appropriate safeguards in place left the charity vulnerable to its resources being misused, which did in fact materialise.

i) The trustees failed to ensure that the CEO and other staff members were accountable for their actions. The CEO and financial director were given unrestricted control of the charity's finances and the trustees did not review their decisions on matters such as the administration of expenses.

In summary, the trustees failed to properly discharge their legal duties and responsibilities as trustees. The commission concludes that these failings were a significant contributory factor to the termination of the charity's core funding, which resulted in it entering liquidation soon after. The charity was subsequently subject to an intense public spotlight over its affairs.

Regulatory action taken

Throughout this inquiry, trustees and former staff members were willing to provide the commission with information and evidence. A number of trustees and staff members of the charity attended interviews with the commission and provided written statements relating to their involvement with the charity.

On 7 May 2014, the charity was removed from the commission's register of charities.

Issues for the wider sector

Trustees have a duty to safeguard their charity's funds and prevent misuse of their funds and assets. Trustees must ensure that there is sufficient oversight of the income and expenditure within their charity and should implement and enforce a suitable expenses policy.

Information about the charity and its finances should be communicated in a way that enables trustees to carry out their responsibilities and take appropriate actions. The format of the financial information may vary according to the size and complexity of a charity and preferred reporting styles. However, the financial information provided should always be understandable, accurate and timely. Information needs to be provided regularly to ensure trustees can fulfil their monitoring role. The financial information provided at each trustee meeting should include details of the charity's financial position and performance. The financial information should be sent to each trustee before each meeting and will typically include:

- the latest management accounts
- a comparison of budget to actual figures
- an explanation for variances between forecasts and what actually happened
- details of cash flow and closing bank balances

The meeting should set aside a specific time within the agenda for discussion of financial matters and allow the trustees to raise any issues of concern.

It is important that controls over expense payments are applied without exception to all those involved with the charity: trustees, all staff and volunteers. The commission recommends that a written policy should be in force for payment of expenses. To ensure that the charity only reimburses legitimate expenses properly incurred on its behalf, the policy should clarify whether the charity pays expenses for travel, hotel, conference, business, training and out-of-pocket expenses, and, if so, on what terms. The commission also recommends that:

- a formal expenses policy should exist applying to all trustees, staff including the CEO and senior management and volunteers
- the policy should be clearly communicated within the charity and included within induction training

- expense claims should be authorised by someone other than the claimant and checked for accuracy before payment
- expense claims should contain a self-declaration that the claim is accurate and incurred in connection with the business of the charity

More information on expenses can be found in the commission's published guidance.[2]

It is important that trustees adopt and set the right 'tone at the top' - executive management and the charity's staff and volunteers are responsible for ensuring that the controls put in place by the trustees are implemented. There should be a culture of control embedded in the operations of the organisation; this culture is created by the trustees and senior management, who should lead by example in adhering to the charity's internal financial controls and good practice.

Trustees must avoid conflicts of interest within their charity, but when such conflicts of interest arise they must be appropriately managed. This involves identifying the conflict of interest and once identified preventing the conflict from affecting decisions within the charity.[3]

Failure to comply with these duties can have serious consequences for trustees, their charity and their beneficiaries. In this case, the charity's funding was withdrawn due to governance failures and financial mismanagement. Without such funding, the charity was unable to continue to operate and entered into liquidation.

The commission recommends that everyone who is thinking of becoming a trustee or anyone who would like to refresh their knowledge and understanding should consult the commission's guidance, '**The essential trustee: what you need to know, what you need to do (CC3)**'.

2 **Internal financial controls for charities CC8**.
3 **Conflicts of interest: a guide for charity trustees CC29**, published in May 2014.