



CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

South Riverside Community Development Centre Ltd

Registered Charity Number 1080314

A statement of the results of the class inquiry into double defaulter charities in particular South Riverside Community Development Centre Ltd (registered charity number 1080314) ('the charity').

Published on 30 December 2016.

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 2 or more years in the last 5 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. Charities that have been identified for inclusion in the class inquiry have a last known annual income of at least £150,000.

The charity

South Riverside Community Development Centre Ltd was registered on 13 April 2000. It is a charitable company governed by a memorandum and articles of association dated 22 March 2000 as amended on 25 March 2003.

The charity's objects are:

To benefit the community in the Canton, Riverside, and Grangetown wards of the county and city of Cardiff,

- a) by advancing the education of the public in matters related to mental, physical, cultural, and social welfare
- b) by relieving poverty.

In practice the charity furthers its objects by working with residents, community groups and organisations in the area of Riverside, Canton, and Grangetown districts to foster empowerment, ensure access to services and opportunities, and develop strong cross-cultural relationships.

More details about the charity are available on the **register of charities** ('the register').

Issues under investigation

The charity had failed to submit its annual accounts, report and annual return to the commission for the financial year ending 31 March 2014, and its annual accounts and report for the year ending 31 March 2015, within the statutory deadlines. 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 charity was contacted on 12 May 2016 by telephone, which was followed by a final warning letter issued on the same day, requesting that the missing documents be provided by 19 May 2016, and warning the charity that if it remained in default it would become part of the inquiry. The charity became part of the inquiry on 20 May 2016 because it failed to supply the outstanding annual accounting information by the deadline.

The inquiry is confined to dealing with the trustees' mismanagement and misconduct¹ and remedying the non-compliance in connection with the annual accounting documents.

The outstanding annual accounts, report, and annual return for the financial year ending 31 March 2014 were submitted on 16 August 2016. The remaining accounting documents were submitted on 31 October 2016.

Two charity trustees informed the commission that the reason for not complying with their statutory accounting requirements was due to the charity not having sufficient accounting staff on board to complete the outstanding accounting documents, as existing staff were engaged on other projects. This does not excuse the failure of the trustees to fulfil their statutory obligations. The charity has since recruited an additional accountant.

When the charity's missing documents were submitted, the accounts were referred for scrutiny by the commission's accountants. Any issues arising from that scrutiny 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.

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 £1,857,035 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 31 October 2016 when the charity filed the last missing documents.

¹ The terms misconduct and mismanagement are taken from section 76 of the act. 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 25 July 2016 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 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.