



CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

Islamic Education and Research Academy (IERA)

Registered Charity Number 1134566

A statement of the results of an inquiry into Islamic Education and Research Academy (IERA).

Published on 4 November 2016.

The charity

Islamic Education and Research Academy (IERA) ('the charity') was registered with the Charity Commission ('the Commission') on 1 March 2010. It is a charitable company governed by Memorandum and Articles of Association incorporated 23 June 2009 as amended by special resolution 23 June 2009.

The charity's objects are:

1. The advancement of the Islamic religion.
2. To advance the education of the public in the ways of Islam.
3. To promote research into the Islamic faith and to publicly disseminate the useful results thereof.

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

Source of concern

On 15 March 2013 the Commission opened an assessment case into the charity following a number of adverse media articles regarding an event organised by the charity in March 2013.

As a result of these public concerns the Commission conducted its own research into the charity and identified additional regulatory concerns about previous statements made by the charity's trustees and other speakers associated with the charity. Given the nature and number of the reports/articles the Commission contacted the trustees. It did so to obtain further information and invite their comments and response to the Commission's concerns regarding these public statements, and to test whether the charity had robust policies, procedures and assurance measures in place regarding the hosting of events and guest speakers.

The Commission first met with the trustees on 20 June 2013 ('the June 2013 meeting') to discuss its regulatory concerns. Further engagement continued and a books and records inspection took place on 21 January 2014 to further verify and test further information provided during the June 2013 meeting. The charity provided the Commission with copies of its Equal Opportunities Policy and (Counter) Extremism Policy; the Commission's inspection included a review of the charity's financial records and a risk assessment for a recent event organised by the charity.

During the Commission's inspection of the charity's records it appeared that the risk assessment provided had not been carried out prior to the event to which it related, as indicated and as it should have been. Instead it appeared to have been completed in response to the Commission's pending records inspection.

After the inspection the trustees responded advising the Commission that in relation to the event in question the charity's '... staff did develop a risk assessment template and carry out their own risk assessment ...'. However when it was shown to the charity's adviser after the event but prior to the records inspection the charity was advised that '... it was not necessarily robust enough. He [the charity's adviser] then provided his own template ... and it was then that he [an employee of the charity] asked staff to retrospectively capture the assessment they had done since theirs was considered inadequate. This is the note [the Commission] found on file'.

The Commission was unable to reconcile these statements. Additionally, during the inspection the Commission identified further concerns - set out in more detail under 'Issues under investigation'.

As the reliability of the trustees' responses to the Commission had been called into question it was decided that the regulatory concerns identified required examination as part of a formal investigation. Consequently, on 7 March 2014 the Commission opened a statutory inquiry ('the inquiry') into the charity under section 46 of the Charities Act 2011 ('the act'). The inquiry closed on 4 November 2016 with the publication of this report.

Issues under investigation

The inquiry's scope was to examine the:

- decision making of the trustee body regarding due diligence and monitoring of guest speakers, and
- financial management of the charity, specifically
 - (i) payments to trustees and/or former trustees, and
 - (ii) the charity's relationship with Islamic Education and Research Academy Ltd ('the company')

During the course of the inquiry the Commission received complaints about the charity and its activities from members of the public and by way of a report; these were assessed in accordance with the Commission's published risk framework and where appropriate addressed as part of the inquiry. This included allegations made in the report 'Evangelising Hate: Islamic Education and Research Academy' ('the report') which was published in May 2014. The Commission's consideration of these is addressed further in this report under 'Findings'.

Findings

1) Decision making of the trustee body regarding due diligence and monitoring of guest speakers

The risks are higher for those charities that regularly run events or use literature to promote their charity's purposes. The higher the risks, the more its trustees will need to do to protect their charity and ensure that they comply with their legal duties. Trustees:

- must, in this context, implement effective procedures for assessing the risks posed by speakers who may speak at events organised by the charity, and which include carrying out appropriate background checks - this includes assessing the risks when working with other organisations or groups to host an event and be able to demonstrate that the trustees have considered the suitability of individuals or groups the charity is going to be closely associated with and demonstrate that they have processes in place to satisfy themselves that literature distributed by or made available by the charity is consistent with its charitable objects and does not place the charity at undue risk
- must be vigilant to ensure that a charity's premises, assets, staff, volunteers or other resources cannot be used for activities inappropriate for a charity
- need to be alert to the risk that, very occasionally, a speaker may have an ulterior motive for wanting to work with their charity that could be unconnected with the charity's work, and which could adversely affect the charity's reputation, independence and public confidence in it
- need to take all necessary steps to ensure that activities or views cannot be misinterpreted, and
- must ensure that proper and adequate procedures are put in place and properly implemented to prevent organisations and those who seek to encourage or support terrorism and/or extremist views from taking advantage of a charity's status, reputations, facilities or assets

Following the opening of the inquiry the Commission met with the charity's trustees on 10 July 2014 ('the July 2014 meeting'). The Commission found that the trustees understood the risks associated with inviting guest speakers, however, they did not fully appreciate the full extent of their responsibilities and that they applied not only to external speakers (individuals brought in to speak at specific events but who do not hold an official role within the charity) but also to the charity's staff and the trustees.

During the July 2014 meeting it became clear that whilst the trustees had introduced policies and procedures since June 2013, to manage the risks associated with the charity's activities, specifically a (counter) extremism policy, the trustees' decision making and recording of these decisions in respect of due diligence and monitoring of speakers was inadequate and required improvement. Additionally the inquiry found, during the July 2014 meeting, that although the trustees, staff and internal speakers were aware of the charity's (counter) extremism policy and had discussed these internally, there was no formal records of these discussions to evidence the decision making process or that staff and internal speakers, including the trustees themselves, had read the policies, and where it impacted upon them, agreed to the procedures or understood their responsibilities as set out in them.

Following the July 2014 meeting the inquiry took steps to test the assurances provided by the trustees in respect of the improvements and modifications they had made to protect the charity and ensure internal procedures were adhered to - particularly with regard to the making and recording of decisions relating to guest speakers and the due diligence conducted. The inquiry conducted sample testing of the charity's records and whether these complied with the charity's own (counter) extremism policy and the requirements under charity law.

After conducting its testing during the inquiry, the Commission provided the trustees with regulatory advice and guidance in respect of the results of this exercise. Following this, on one occasion, the trustees proactively contacted the Commission in respect of a planned event involving a high-risk speaker; as part of the trustees' correspondence a copy of the charity's risk assessment was submitted. Information submitted to the inquiry included a brief as to the purpose of the event which included to invite speakers 'who hold different religious and political views to truly display a wide spectrum of opinions, on condition that they do not promote hate or violence'. The trustees are right to ensure that invited guest speakers do not promote hate and/or violence however, they should not limit their considerations to this issue. Trustees should take into consideration the full definition of extremism¹ when considering, in particular, guest speakers and the hosting of events.

Throughout the course of the inquiry the charity's website was monitored as part of the commission's sample testing. This monitoring identified a partnership between the charity and another organisation ('the organisation') founded by an individual who was publicly known to have been banned from entering the UK² ('the founder'). On 13 July 2015 the trustees were asked to confirm when the charity first partnered with the organisation and to provide copies of risk assessments and other relevant documentation in respect of the decision to work in partnership with it. The trustees complied with this request and provided a response regarding the partnership as well as a variety of supporting documentation. The inquiry's analysis of these documents found that the trustees had identified and assessed a range of risks associated with the partnership, and had considered various comments and media reporting regarding the founder and comments/actions attributed to them. Their risk assessment confirmed that 'if we receive any substantial evidence that proves any form of extremism we will immediately cease the working relationship'.

Whilst the Commission had received no specific complaint about the charity's partnership with the organisation, there were, as accepted by the trustees, inherent risks to the partnership which required fuller consideration. Of the evidence it examined, the inquiry found no records or evidence suggesting the founder had direct influence over the partnership or its arrangements with the charity, it did have concerns about how the organisation had been linked to the charity's website and the way the services of the charity were advertised on the organisation's website. The inquiry's view was that decision taken by the trustees to partner was and continues to be high risk and having considered the information provided by the trustees the Commission could not see how the trustees could show they were complying with their legal duties under charity law, without adopting and implementing further measures to manage the partnership. As a result the Commission has required the trustees to review and revisit the assessment of this partnership and the risks that it poses - see regulatory action taken for further information.

1 The UK Government's Counter-Extremism Strategy defines extremism as 'the vocal or active opposition to our fundamental values, including democracy, the rule of law, individual liberty and the mutual respect and tolerance of difference faiths and beliefs. We also regard calls for the death of members of our armed forces as extremist'.

2 Dr Bilal Philips banned from entering the UK In June 2010.

Following the July 2014 meeting the trustees acted on the Commission's regulatory advice that formal consideration, in the form of a risk assessment, should be given to the risks posed by the charity's speakers who also hold an official role (such as trustees, employees, official volunteers) within the charity and not just those that are invited to speak at a specific event. Prior to this the trustees had not fulfilled their duties in this regard.

The inquiry established that the charity now has in place policies to manage the risks associated with running speaking events. The trustees were able to provide documentation in the form of risk assessments and trustee meeting minutes that the charity's (counter) extremism policy was broadly being complied with and fully implemented. However, in some cases the documentation did not fully comply with the charity's own policy as the inquiry was not able to verify when certain documents were produced and/or risk assessments signed-off and action needed to be taken to remedy this for the future.

Complaint - Evangelising Hate: Islamic Education and Research Academy (IERA)

In 2014 the report was published which called for the charity to be classified as a hate group and made a number of allegations about individuals, some of whom are or were connected to the charity. The report identified leaders, speakers, advisers, and/or preachers of the charity as being of concern. The allegations made in the report were examined as part of the inquiry and the trustees were asked for their response to the report.

The charity issued its own press release in response to the report.³ Some of the individuals referred to in the report were confirmed, by the trustees, to be current or historic trustees of the charity, others were or had been employees, guest speakers or volunteers of the charity. Other individuals named in the report were confirmed by the trustees to not having been involved in the charity and its activities as an employee, trustee or invited guest speaker. The inquiry did not identify any evidence to the contrary; therefore the inquiry focussed on comments in the report relating to the former group of individuals.

The inquiry reviewed comments attributed to individuals currently or historically associated with the charity and, where possible, the corresponding references and source material. Following this, the inquiry did not identify that any of the comments attributed to individuals historically associated with the charity were made whilst representing the charity and/or during an event hosted by the charity. However, for the period when these individuals did speak at events organised by the charity there is no evidence that the trustees (at the time) considered any risks these individuals posed to the charity and its reputation. Although comments attributed to a number of individuals featured in the report appear to have been made in their personal capacity and not on behalf of the charity or at an event it organised, it remains the case that in associating with such individuals the trustees were putting the charity at risk in sharing or being perceived to be sharing, a platform for the expression of promotion of extremist views and in failing to adequately consider the risk the individuals posed to the charity and its reputations and the potential risk to the charity's beneficiaries in being exposed to extremist views.

³ <https://www.iera.org/iera-responds-fraudulent-document-written-anti-religion-extremists/>

The report also referred specifically to a current trustee and employee of the charity and comments previously made by each of them prior to commencing their role in the charity. The inquiry found that both individuals had since made public statements to clarify comments previously made. Whilst the Commission welcomes these clarifications comments attributed to these individuals continue to be referred to and consequently may often call into question their involvement with the charity. The inquiry advised the trustees that any promotion or expression of the views previously expressed by the individuals themselves or others within the charity and/or other strongly controversial and partisan views in their capacity as a trustee or in a personal capacity may compromise their position, and in particular the perception of their independence, within the charity.

Financial management of the charity

(i) payments to trustees and/or former trustees

Prior to the opening of the inquiry it was established that a number of the charity's trustees had received payments from the charity which were considered more than reasonable costs for travelling expenses for trustee meetings and for fulfilment of trustee duties. The Commission's concern was that more than half of the trustee body were or had received payments for services in any financial year which was in breach of the charity's governing document and legal duties. Clause 5.2 of the charity's governing document states that 'a trustee must not receive any payment of money or other material benefit from the charity ... [except in certain circumstances]' and clause 5.3 states 'a trustee may not be an employee of the charity but a trustee or a connected person may enter into a contract with the charity to supply goods or services in return for a payment or other material benefit ... [and then lists the circumstances]'; one of the circumstances being that in any financial year no more than half of the trustee body should benefit.⁴

The inquiry initially found, based on the records it held for the period of trusteeships, between July 2010 and May 2014, that approximately £44,704 was made in payments to trustees which could not have been properly authorised as more than half of the total number of trustees were in receipt of such a benefit.⁵ These payments were reported as related party transactions in the charity's filed accounts for the relevant years as required. When the inquiry raised these concerns with the trustees they provided information about the periods of trusteeship which meant that at any one time no more than half of the trustees were receiving payments for services. This was inconsistent with information that had previously been provided to the Commission.

The trustees stated that the charity had:

'experienced rapid and significant growth which made it challenging to have formal processes for all decisions, though we did document as much of this in minutes' and 'Given this situation we did not have any formal letters of appointments nor resignations during this period along with a timely system of updating public records. Moreover, during this formative period two resignations were by mutual consent ... Moving forward we are keeping detailed records of major decisions and following formal procedures for the appointment and termination of trustees' terms and the subsequent updating of public records.'

4 Trustees can be paid for providing services (and, in some cases, goods) to the charities for which they are trustees. The power to do this and the conditions which trustee boards must follow in deciding when payment is appropriate are set out in the Charities Act 2011. There are a number of conditions, all of which must be met before payment can be made validly. The conditions are set out in the Commission's guidance, **Trustee expenses and payments (CC11)**.

5 The Commission accepts that some of these payments may have been for legitimate out of pocket expenses.

The inquiry found that this confusion and inadequacy arose because the trustees were not sufficiently diligent as to the charity's governance and did not keep proper up-to-date records. The trustees failed to comply with the requirement in section 35(3) of the act that requires charities to notify the Commission of any changes relating to its entry on the register which includes the names of trustees.

Furthermore, the inquiry found that in submitting annual returns which did not accurately reflect the trusteeship of the charity the trustees had recklessly provided misleading information to the Commission which is evidence of misconduct and/or mismanagement in the administration of the charity.

(ii) the charity's relationship with Islamic Education and Research Academy Ltd ('the company')

During the June 2013 meeting the trustees informed the Commission that the Islamic Education and Research Academy Limited ('the company'), a company initially set up by the trustees prior to the registration of the charity, continued to have a separate bank account (in its name) which contained charitable funds.

The company was initially incorporated on 23 December 2008 as a company limited by shares; this is not the standard structure of charitable companies. The trustees informed the Commission that the company was set up in error as a company limited by shares before they realised that to be a charity the company would have to be limited by guarantee, and they subsequently incorporated as a company limited by guarantee on 23 June 2009. The charity was then registered on 1 March 2010. The 3 officers of the company were also the 3 founding trustees of the charity; during the life of the company the shareholders were individuals who were also trustees of the charity.

The charity continued to use a bank account in the name of the company as the sole account for the charity, for a period of 2 and a half years, rather than an account in the name of the charity. The inquiry found that the company's bank account received approximately £31,300 in charitable donations from direct debits between 13 December 2010 and 28 May 2013. Additionally, because the company was set up as a company limited by shares the directors had a financial conflict of interest.

The trustees stated that due to the volume of charitable donations being deposited into the company's bank account via direct debit and the administrative difficulties in moving income to a bank account in the charity's name the trustees continued to operate the company account. An independent examination of the charity's finances and the company bank account carried out by the Commission supports the explanations provided by trustees, however the trustees' failures in this regard is mismanagement in the administration of the charity as the trustees failed to keep charitable funds separate from company funds.

On 31 May 2013 the company's bank account was closed and the residual funds were transferred to the charity's bank account. The company then dissolved on 24 September 2013. The inquiry finds that these actions should have been taken in a timelier manner.

Conclusions

The Commission's conclusion is that there has been misconduct and mismanagement in the charity's administration, specifically:

- the trustees understood the risks associated with speakers, however they did not fully appreciate the full extent of their responsibilities and that they extend further than in respect of external speakers and include the charity's staff and themselves
- the charity has in place policies to manage the risks associated with running events where guest speakers are in attendance and/or where the trustees or employees of the charity speak and are able to evidence that these policies are broadly being implemented - however, in some instances the documentation did not fully comply with the charity's (Counter) Extremism Policy as the Commission was not able to verify when certain documents were produced and/or risk assessments signed off
- the trustees need to take additional steps to ensure that the charity not only distances itself from and is not associated with organisations and/or individuals which condone, or appear to condone, violent extremism and acts of terrorism - they also need to consider how they will address any views which promote extremism and that are linked directly or indirectly with a charity - any such views are deemed by the Commission to be wholly inappropriate and it expects trustees to take clear and robust action
- the decision taken by the trustees to partner with the organisation was and continues to be high risk - having considered the information provided by the trustees the Commission cannot see how the trustees can comply with their legal duties without adopting and implementing further measures to manage the partnership - see 'Regulatory action taken', and
- the trustees were not sufficiently diligent as to the charity's governance - they did not keep proper up-to-date records and failed to comply with the requirement under section 35(3) of the act that registered charities notify the Commission of any changes relating to its entry on the register, this would include the names of trustees

Regulatory action taken

On 7 May 2014 the Commission issued orders, pursuant to section 52 of the act, requiring Barclays Bank Plc and National Westminster Bank Plc to provide copies of bank statements for bank accounts which were known to contain the charity's funds.

On 26 May 2016 the Commission issued an order, pursuant to section 84 of the act, requiring the trustees to take specific actions. The actions are:

- review the charity's assessment of its continued partnership with the organisation and consider in more detail the risks that this presents to the charity
- ensure and be able to demonstrate that the charity complies with its own (counter) Extremism Policy
- ensure that the charity's entry on the register of charities is kept up-to-date and that information supplied in the annual return is accurate
- ensure that adequate procedures are in place and properly implemented to prevent abuse of the charity, its status, facilities or assets
- ensure that the trustees can demonstrate that they have fully considered the suitability of individuals or groups the charity associates with and that literature distributed or made available by the charity is consistent with the charity's objects and does not place it at undue risk

The order requires the trustees to complete the specified actions by 25 November 2016; the Commission will continue to monitor the trustees' compliance with this order.

On 6 October 2016 the charity's trustees provided their response to the Commission's order issued under section 84 of the act - ahead of the 25 November 2016 deadline. The trustees' response confirmed that:

- the charity has ceased all working relationships with the organisation and have no intention to collaborate or partner with it in the future - however, in the event that it does the charity will carry out its own risk assessment of the relationship and thoroughly assess the associated risks relating to it - furthermore, the board of trustees will inform the Commission in advance if they do plan to work with the organisation in the future and seek its counsel - lastly, the trustees confirmed that they would commission their own independent review and risk assessment of the relationship with the organisation if required
- the trustees are confident that the charity has sufficient policies and procedures in place to assess risks association to campaigns, internal and external speakers, donors and external organisations that the charity may collaborate with - once the Commission's inquiry closes that trustees will establish a 'Risk Management Group - which will, amongst other things, conduct risk assessments of all internal speakers quarterly as opposed to annually
- the charity's entry on the register shows that the trustees are compliant with filing the charity's statutory returns
- risk assessments are carried out on all external groups and speakers for events, campaigns and partnerships - which are then approved, or not, by the charity's vice-chairman - additionally the trustees ensure that all external organisations and speakers sign the charity's Anti-Extremism, Data Protection and Equal Opportunities disclaimers, as well as signing a Memorandum of Understanding (for official partnerships and collaborations)
- the trustees make their decision on the suitability of individuals and groups who the charity associates with on how effectively the charity's purposes can be furthered and which are consistent with normative Islamic beliefs and practices - in order to support these objects the charity must raise funds and therefore the charity may associate with individuals and organisations who we would view as advancing the charity's goals in this regard

The Commission has requested additional information from the trustees and will give them until the end of the specified period before determining whether the order has been complied with.

Issues for the wider sector

Charities and their trustees must comply with the law. Charity law places clear obligations on trustees to always act in the best interest of the charity. They must ensure that its funds, assets and reputation are not placed at undue risk. Trustees cannot use a charity's name to promote views or activities inappropriate for a charity.

Trustees are under a legal duty to ensure that their charity's funds are applied solely and reasonably in furtherance of its objects. They must also be able to demonstrate that this is the case. Therefore, in order to show that they are complying with their legal duties, trustees must keep records and an adequate audit trail to show that the charity's money has been properly spent on furthering the charity's purposes for the public benefit.

Charity trustees have a duty of care towards their charity, along with a duty to protect the charity's assets, to use those assets only in furtherance of their charity's purposes, and a duty to account for the proper application of their charity's funds. This applies whether those funds are used in the UK or abroad. They also have a legal duty to avoid undertaking activities that might place their charity's assets or reputation at risk. Charity trustees can take risks; however, in order to fulfil their duties trustees must implement realistic risk management strategies to identify and mitigate potential risks to the proper use of their funds. The risks trustees should consider can take a number of forms, including operational, financial, reputational and external risks, and compliance with the law and regulations in the UK or internationally.

Trustees must not promote or support extremist views or activity that promotes terrorism and terrorist ideology through the charity's work. In addition, trustees must not misuse a charity's funds or assets and must ensure that its finances and property are used appropriately and in accordance with its charitable purposes.

Trustees must be able to show that an activity furthers their charity's purposes. Even if this can be shown, expressing or promoting extreme, partisan or controversial views on a particular issue as part of that activity may compromise the charity's independence, integrity, purposes or public trust and confidence in it. Such actions or behaviour may pose or cause risks to the charity's operations and other activities, or the safety of its staff and volunteers.