

# Inquiry Report

## Shree Sorathia Prajapati Community

Registered Charity Number 286801



# A statement of the results of the class inquiry into double defaulter charities in particular Shree Sorathia Prajapati Community (286801) ('the charity').

Published on 11 June 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 then those with a last known income of between £200,000 and £249,999.

## The charity

The charity was registered on 25 March 1983. It is an unincorporated association governed by a constitution adopted on 27 February 1983, and amended on the 22 May 1988.

The charity's objects are:

"The advancement of the Hindu religion; the advancement of education particularly in Hindu traditions, history, language, literature and music, and the relief of poverty, hardship and distress."

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 to the commission required for the financial years ending 31 March 2012, and 31 March 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 5 January 2015. Further to this the commission wrote to the charity with a final warning on the same day requesting that the missing documents be provided by 25 January 2015, and warning the charity that if it remained in default on 26 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 26 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.

On 10 February 2015, the commission was contacted by one of the trustees of the charity, who explained that several of the twelve listed trustees of the charity who had been contacted by the commission were no longer in post, and due to the charity having branches across the UK, there had been subsequent difficulties leading to the poor administration and failures to submit the charity's accounting information. In addition, six of the eleven remaining trustees contacted the commission that day to renounce their responsibilities as trustees of the charity.

The outstanding annual accounts for the financial years ending 31 March 2012, and 31 March 2013 were submitted to the commission on the 4 March 2015, followed by the outstanding annual accounts for the financial year ending 31 March 2014 (which had become overdue on 31 January 2015) on 12 March 2015. The annual returns for all three financial years were submitted to the commission on 15 April 2015.

When the charity's missing documents were submitted, the accounts were referred for scrutiny by the commission's accountants. Any issues arising from that 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. The reason the charity gave for non-compliance was not a legitimate excuse.

As a result of the inquiry, the commission ensured the charity complied with its legal obligations to submit their annual accounting information. Three sets of accounts were filed and as a result over £686,758 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 15 April 2015 when the charity filed the last missing documents.

## 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 5 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.

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

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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.

## 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.