

# Inquiry Report

Chevras Machzikei Mesifta

Registered Charity Number 1104022



# A statement of the results of the class inquiry into double defaulter charities in particular Chevras Machzikei Mesifta (registered charity number 1104022).

Published on 4 August 2014.

## The Class Inquiry

On 20 September 2013, 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; and
- 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

Chevras Machzikei Mesifta (“the Charity”) was registered on 28 May 2004. It is an unincorporated association governed by a trust governed by a Trust Deed dated 26 February 2004.

The Charity’s objects are:

*“The advancement of Orthodox Jewish religious education throughout the world and in particular by supporting the charitable work of the institute”*

More details about the Charity are available on the Register of Charities which can be accessed through the Charity Commission’s website<sup>1</sup>.

## Issues under Investigation

The Charity failed to submit to the Commission annual accounts and reports and annual returns required for the financial years ending 31 March 2013. The Charity was sent various computer generated reminders from the Commission regarding the submission of their annual accounting documents.

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<sup>1</sup> <http://www.charitycommission.gov.uk/find-charities/>

In addition, the Charity was contacted by telephone on 8 April 2014 and asked to supply accounts by 1 May 2014. Further to this the Commission wrote to the Charity with a final warning on 8 April 2014 requesting that the missing documents be provided by 1 May 2014. On both occasions, the Commission warned what would happen if the Charity remained in default on 2 May 2014. The Charity submitted its annual accounts and reports and annual return for 31 March 2012 on the 8 April 2014. However, the Charity has been in default of its obligations under the Act for a lengthy period of time, in respect of the 31 March 2013 documents and in spite of receiving numerous reminders.

The Charity met the criteria and became part of the Inquiry on 2 May 2014.

The Inquiry is confined to dealing with the trustees' mismanagement and misconduct<sup>2</sup> and remedying the non-compliance in connection with the annual accounting documents.

During the Inquiry the Charity filed the missing annual accounts, reports and annual return for the financial year ending 31 March 2013 on 3 June 2014.

The trustees of the Charity did not provide the Commission with an explanation for the default, but a representative of the Charity stated that the reason for the delay in submitting their outstanding documents once in the inquiry was because of an office closure due to staff holidays at both the charity and the auditors.

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.

As a result of the Inquiry, the Commission ensured the Charity complied with its legal obligations to submit their annual accounting information. One set of accounts were filed and as a result over £744,000 of charitable income is now transparently and publicly accounted for on the Register of Charities. Prior to entering the Inquiry an additional set of accounts were filed publicly accounting for a further £746,000 of charitable income.

The Charity ceased to be part of the Inquiry when it was no longer in default of its accounting obligations. This happened on 3 June 2014 when the Charity filed the last missing documents.

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<sup>2</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 Charities Act 2011 (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 7 May 2014 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 £25,000 or over 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 under £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.



