



Operational Case Report

The Institute of Brewing and Distilling (269830)

About the charity

The charity's objects are to advance public education in the sciences of brewing, distilling and fermentation. It is based in London and had an income of around £1.7m in the year ended December 2012.

Why the commission got involved

The charity submitted a serious incident report in November 2012, informing us of concerns about the charity's financial record keeping and accounting systems and stating that prior year surpluses had been overstated by £364,149. A new accountant appointed to the charity had found that the charity's previous record keeping had been poor, and raised questions as to whether the charity's previous accounts were a true and fair account of the charity's finances. The serious incident report was supported by a detailed report from the charity's auditors.

Separately, concerns were raised with us by a complainant, who alleged that there had been fraud and money laundering totalling several millions of pounds.

The action we took

We launched an operational compliance case to assess the concerns. We made a thorough assessment of the charity and its systems of financial management. A senior commission accountant undertook a detailed examination of all available records and considered the information supplied by the complainant. We sought additional information from the auditors who had been engaged by the charity to investigate the financial situation. In September 2013 they confirmed that their review had found no evidence of fraud or theft, just poor accounting.

However we decided that further examination was necessary because there remained a possibility that there might have been unrecognised real losses of cash, as the historic bank reconciliations had not been reconstructed. In order to examine and resolve this concern, we met with the charity to examine their records. Following the visit, we processed over 10,000 bank statement entries so that payments could be crosschecked by the charity against their financial records. We then audited the financial analysis undertaken by the charity and are satisfied that a proper process has been followed. This has enabled us to conclude that there is no evidence of fraud or theft. Neither the police nor the commission have seen any evidence of money laundering.

What we found

Our detailed examinations found that there was no evidence of theft, fraud or money laundering. Our work reassured us none of the charity's money had gone missing. The trustees acknowledge the serious weaknesses of their financial controls that had led to the charity's finances being inadequately recorded and accounted for previously.

Impact of our involvement

Given the amount of money that was not properly accounted for, it was important to determine whether there had been any fraud or theft. The commission's approach is that such issues are serious and require a thorough examination. The detailed audit of the records has involved significant work and we have had full co-operation by the charity. It has been important to determine that no funds have been lost, both to ensure charitable resources are protected and because of the impact on the charity's reputation. The charity's trustees have undertaken a full overhaul of the charity's financial management and record keeping and we are satisfied that the systems now in place are adequate. The trustees must continue to monitor the implementation of these systems and review them regularly to ensure they remain fit for purpose.

Lessons for other charities

Trustees carry ultimate responsibility for the management of their charities. Ensuring there are sound financial controls in place and implemented is a crucial part of trustees' duties. Such systems help prevent financial crime, ensure the charity is reporting accurately to the public and help protect the charity's reputation.

In this case, the charity's trustees failed to keep adequate oversight over the charity's financial management and could not properly account for significant sums of money. They had responded appropriately when they were made aware of the problems by submitting a serious incident report to us. However this case illustrates that their responsibility for charitable funds requires a very full examination to determine whether a real loss has occurred.