



Operational Case Report

Bethel United Church of Jesus Christ Apostolic UK (1047717)

About the charity

The charity was registered on 4 July 1995 to advance the Christian religion in the UK and worldwide. It acts as 'governing body' of a number of registered and unregistered charities (branches), to which it disseminates religious knowledge. It owns a trading subsidiary, Bethel Convention Centre, which is used by the branches for meetings, conferences, etc and is also available for private hire, to generate income for the charity.

Why the commission got involved

We became aware in November 2011 that the charity's accounts for the last three years had been qualified, due to a failure of internal financial controls. We raised this with the trustees and highlighted the requirement to report such serious incidents to us. The charity made a serious incident report (RSI) on 20 June 2012, to notify us that over £190,000 had been misappropriated by a trustee, who also held a position of authority in the church, as bishop ('the bishop').

The trustees did the right thing in reporting the incident to us. But as a result of our subsequent engagement with the charity, we identified a number of other unresolved regulatory/governance issues.

The action we took

At our insistence, the trustees reported the misappropriation to West Midlands Police, who launched a criminal investigation. We continued to liaise closely with the police. As a result of the police investigation, further regulatory concerns were identified, including allegations of misappropriation at five of the associated 'Bethel' charities.

We met with the trustees in December 2012 to ensure the trustees understood their legal duties and responsibilities. We instructed the trustees to complete an action plan, which included:

- removing the bishop as signatory of any accounts held by the charity and its branches
- submitting the charity's outstanding annual return and accounts for the financial year ending 31 March 2013 as a matter of urgency

- call an Extraordinary General Meeting (EGM), to facilitate the valid election of trustees
- decide on a fixed annual AGM date to facilitate accounts being agreed, signed and submitted in time to the commission, in line with the trustees' statutory obligations
- consider the current structure of the charity and its links/relationship with the branches, with a view to determining whether the charity should be de-centralised and identifying which branches must be registered as separate charities, in their own right
- ensure all properties used by the branches are correctly conveyed and vested in the current holding trustees or the Official Custodian and registered with the Land Registry
- urgently seek professional advice to implement the hiving-off of Bethel Convention Centre (BCC) as a wholly owned trading subsidiary of the charity and contact HMRC for advice on trading and taxation matters
- take professional financial advice to assist in determining if BCC (and the land that it occupies) and any other properties owned by the charity continue to be financially viable
- produce an asset register of all assets held by the charity and its branches
- forward to the commission a copy of the charity's current financial policies and procedures

We met the trustees (and charity members) in January 2014 to assess progress made against the action plan.

We identified for example, that:

- the trustees had taken very little action to resolve any issues other than the criminality. Given the length of time that had already elapsed, we imposed a 3 to 6 month deadline for the trustees and key members to work together to resolve all issues expediently
- several trustees had been aware of the suspected fraud for some time, but had originally attempted to deal with the problem without reporting it to the police and to us. We made clear that it was their obligation to report serious incidents to the commission and suspected criminality to the police
- one of the branches continued to pay a stipend to the Bishop whilst in prison, into another individual's account. Bethel UK's trustees said they were not involved in that decision-making, so we advised the branch trustees that these payments must cease immediately and any money which the charity was not contractually obliged to pay the bishop must be recouped immediately. The trustees have now ceased all payments

We contacted Bethel UK's trustees in August 2014 for an update. They provided assurances that they had all issues in hand and are working closely with key members.

However, at the time of writing, the charity remains in default of the requirement to file annual reports and accounts with the commission. Should the trustees fail to deal with this matter, as with the other issues set out in the action plan within a reasonable time frame, we may need to re-engage, and, if necessary, use our legal powers to resolve the issues. We concluded the case by providing the charity with robust advice and guidance.

NB - On 17 January 2014, the Crown Prosecution Service sentenced the bishop to two years in prison for fraud by false representation and nine months in prison for each of the two counts of theft, which are to run concurrent to the two years in relation to misappropriated funds from the charity.

With our engagement, the trustees sought professional advice to recoup misappropriated charity funds through the civil courts - we provided authorisation under s115 of the Charities Act 2011 to enter into charity proceedings, which are ongoing.

Impact of our involvement

As a result of our involvement:

- the charity's governance/internal financial controls continue to improve
- the trustees reported the issues of criminality to the police and the bishop was prosecuted
- the trustees sought specialist legal advice to deal with recouping charitable funds misappropriated by the bishop in proceedings in the civil courts, which we authorised
- the trustees are due to hold an EGM shortly, to appoint new trustees who will take forward any outstanding issues
- the trustees of one of the branches are dealing correctly with the erroneous payments to the bishop
- several branches have proactively applied to become registered charities, in accordance with the legal requirement to register

Lessons for other charities

- trustees need to fully understand what their [roles and responsibilities](#) are and need to be aware that they have and must accept ultimate responsibility for the management and administration of their charity
- trustees must be mindful of the requirement to [report serious incidents](#) such as fraud and misappropriation to the commission, seeking professional advice where necessary eg to assist them to establish if such issues should also be pursued through the civil courts
- trustees must also be mindful that suspected criminality within their charity should be reported to the police
- trustees, when [making decisions](#) about their charity, must always ensure that all decisions are in the charity's best interests
- trustees must ensure that their charity has sufficiently robust [internal policies and procedures](#), to assist them to operate the charity and manage its finances effectively
- trustees must be aware of their statutory obligation regarding preparing and submitting to the commission [annual returns](#) and [accounts](#)
- trustees must be aware of the legal requirements regarding when to [register a charity](#)