

Inquiry Report

Leeds Islamic Centre

Registered Charity Number 503649



A statement of the results of the class inquiry into double defaulter charities, in particular Leeds Islamic Centre (registered charity number 503649).

Published on 18 November 2014.

The class inquiry

On 20 September 2013, the Charity 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:

- 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 it 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

Leeds Islamic Centre ('the Charity') was registered on 4 October 1974. It is an unincorporated association governed by a constitution dated 18 August 1974, as amended on 1 June 1986 and 21 April 2007.

The Charity's objects are:

The advancement of propagation of Islam by:

- (i) Establishing the social and cultural order of Islam with a view of seeking the pleasure of Allah in this life and in the life hereafter.
- (ii) Popularising Islamic thoughts through discussions, speeches, publications and by any other means including the setting up of reading rooms, community centres and by providing facilities for regular congregational prayers.
- (iii) Making provision for recreational and sports facilities as may be required by the members.
- (iv) Providing social, cultural and educational facilities for the benefit of the community.
More details about the Charity are available on the [register of charities](#).

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 December 2011 and 31 December 2012. The Charity was sent various computer generated reminders from the commission regarding the submission of their annual accounting documents.

In addition, the Charity was contacted by telephone and by letter on 11 April 2014 and asked to supply accounts by 3 May 2014. The commission warned what would happen if the Charity remained in default on 6 May 2014. The Charity has been in default of its obligations under the Act for a lengthy period of time, in respect of more than one set of documents and in spite of receiving numerous reminders.

The Charity met the criteria and became part of the Inquiry on 6 May 2014.

The Inquiry is confined to dealing with the trustees' mismanagement and misconduct¹ and remedying the non-compliance in connection with the annual accounting documents.

During the Inquiry the Charity filed the missing annual accounts and reports for the financial years ending 31 December 2011 and 31 December 2012 on 20 August 2014 and the annual returns for the financial years ending 31 December 2011 and 31 December 2012 on 7 July 2014.

The Charity's solicitor contacted the commission on 19 May 2014 noting there had been an omission and explaining that the reason for not complying was due to an error made by the Charity's trustees. A new charity with the same name and objects had been established and registered with the Charity Commission on 27 June 2011. The Charity's funds had been transferred to this new charity and its activities were now being undertaken by this new charity. The trustees of the Charity had been mistaken in not ensuring it was removed from the register of charities, and had not thought to prepare accounts as the funds were being accounted for through the new charity.

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.

The reasons 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 annual accounting information. Two sets of accounts were filed and as a result there is full public transparency about the Charity's financial position.

The Charity ceased to be part of the Inquiry when it was no longer in default of its accounting obligations. This happened on 20 August 2014 when the Charity filed the last missing documents.

¹ 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

On 13 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 deadline for compliance was extended by order until 1 July 2014. The Charity had provided accounts to the commission before 20 August, but these did not accurately reflect the Charity's financial position, so were rejected.

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 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.