



CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

The Apostolic Faith Mission International Ministries UK

Registered Charity Number 1096543

A statement of the results of an inquiry into The Apostolic Faith Mission International Ministries UK (registered charity number 1096543).

Published on 23 January 2017.

The charity

The Apostolic Faith Mission International Ministries UK ('the charity') was registered on 17 March 2003. It is a trust governed by a trust deed dated 4 June 2002, and supplementary deeds dated 25 January 2003 and 11 March 2005.

More details about the charity are available on the [register of charities](#) ('the register').

Background

On 20 September 2013, the Charity Commission ('the Commission') opened a statutory class inquiry ('the class inquiry')¹ into charities that were in default of their statutory obligations to meet reporting requirements by failing to file their annual documents² for 2 or more years in the last 5 years and met certain other criteria.

Having failed to submit its annual accounts and reports, and annual returns to the Commission for the financial year ending 31 March 2011 and 31 March 2012, the charity became part of the class inquiry on 23 September 2013.

On submission of the outstanding annual documents, the charity ceased to be part of the class inquiry on 8 November 2013. The Commission published **a statement of the results of the class inquiry** into the charity on 24 January 2014.

Issues under investigation

The deadline for the charity to submit its annual accounts, trustees' annual report and annual returns to the Commission for the financial year ending 31 March 2013 was midnight on 31 January 2014.

Despite having been sent a number of reminders from the Commission to file its annual documents ahead of the deadline, and the fact that the charity had previously been subject of the class inquiry, the charity defaulted on its statutory obligation by failing to submit the required 2013 documentation to the Commission by its due date.

¹ The latest update on the statutory class inquiry provides further information [press release](#).

² The annual documents consist of annual return, and if the income exceeds £25,000 a trustees annual report and accounts.

On 4 February 2014 the Commission opened a statutory inquiry ('the inquiry') into the charity under section 46 of the Charities Act 2011 ('the act') to examine the following issues:

1. The mismanagement and misconduct³ by the trustees arising from non-compliance in connection with the submission of annual accounts, reports, and returns.
2. The administration, governance and management of the charity by the trustees, with specific regard to the steps the trustees had taken to address the repeated failure of the charity to fulfill their accounting obligations.
3. Whether or not the trustees had complied with and fulfilled their duties and responsibilities as trustees under charity law.

The inquiry closed on 23 January 2017 with the publication of this report.

Findings

Trustees of charities with an income of £25,000 or over are under a legal duty to submit annual returns, annual reports and accounts to the Commission as the regulator of charities. Failure to adhere to these obligations is a criminal offence and both mismanagement and misconduct in the administration of a charity. Trustees are also accountable for their charity's resources and should be able to demonstrate that their charity is complying with the law, is well run and effective.⁴

The trustees' failure to meet their legal obligations to file accounting information with the Commission for the financial year ending 31 March 2013 before the deadline resulted in an order under section 84 of the act being issued to the trustees directing them to prepare and submit the outstanding annual documentation.

In response to the order, the Commission received a letter from the trustees explaining that the delay in filing the charity's annual documentation was due to the decentralisation of the charity's structure⁵, registration of new charities and the lack of understanding by the trustees of their individual charity trustees' requirement to submit annual documents, along with a lack of cooperation by some assemblies and a lack of staff training. During the previous inquiry in September 2013 the trustees had advised the Commission that previous failure in submitting the annual documents had been due to the centralisation of the main administration of the charity in relation to the individual assemblies. The Commission was given an assurance at that time that the trustees would 'be having a meeting shortly to discuss any other changes and strategies to ensure that there is no recurrence of failure of compliance on the main charity and by the independent charities'.

The trustees were fully aware of their legal obligations to file annual documents, and should have ensured future compliance with their obligations but failed to do so, this was mismanagement and misconduct in the administration of the charity.

3 The terms misconduct and mismanagement are taken from section 76 of the act. 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.

4 **Charity trustee: what's involved (CC3a).**

5 In March 2014 the charity had 18 assemblies, 14 had registered as charities in their own right, 3 were still part of the main charity but had submitted applications, and one was still left to register.

As a result of the charity's repeated failure to submit accounting information on time, the inquiry arranged to meet with the trustees in March 2014 ahead of the date for compliance with the section 84 order to consider whether there were any wider governance issues in the charity.

Trustees must manage their charity's resources responsibly, reasonably and honestly. This is sometimes called the duty of prudence. Prudence is about exercising sound judgement and trustees must ensure that the charity's assets are only used to support or carry out its purposes, and avoid exposing the charity's assets, beneficiaries or reputation to undue risk.

The inquiry completed a books and records inspection, and discussed the administration, governance and management of the charity with the trustees, particularly with regards to their accounting obligations. At the meeting, the trustees provided explanations about the charity's financial controls and management, including the change of charity structure, and the maintenance of financial records.

Following the meeting, the trustees complied with their legal obligations and submitted the annual documents for the financial year ending 31 March 2013, submitting the overdue annual return on 5 March 2014 and trustees' annual report and accounts on 6 March 2014.

A Commission accountant considered the accounts submitted for 31 March 2013, those accounts were independently examined and whilst the report was not qualified⁶ it stated that 'the internal controls over the recording of cash receipts was limited' and that 'With respect to a certain amount of cash expenditure no proper accounting records were made available from some of the assemblies'. This failure on the trustees' part was corroborated by a Commission accountant, along with non-compliance with the Statement of Recommended Practice ('SORP'). Similar deficiencies had been reported by the auditor of the 2012 accounts, and the independent examiner's report for 2013 accounts indicated that the deficiencies had not been resolved.

As part of the inquiry, bank statements for the period 1 April 2012 to 31 March 2013 were also considered by a Commission accountant, and identified only one transaction which required clarification from the trustees, that being £53,000 paid to solicitors. This was raised with the trustees, and relevant documentation to demonstrate that this was legitimate charitable expenditure was provided.

Based on the explanations provided by the trustees and the examination of the charity's records, the inquiry found that the financial governance of the charity was inadequate, particularly in relation to how cash was handled, and as a result the charity's assets were placed at risk which amounted to mismanagement on the part of the trustees. The inquiry considered that it was necessary to direct specific actions to be taken by the trustees in order to regularise matters in respect of the financial governance of the charity. A second order under section 84 of the act was issued on 23 September 2014 this directed the trustees to take specified actions in relation to:

- internal financial controls
- cash collections
- reconciliation of financial records on a regular basis
- ensuring the charity's 2014 accounts were SoRP compliant

⁶ Independent examination of charity accounts: examiners states (CC32): 'unqualified report' means that at the end of their examination the examiner is able to report that nothing has come to their attention that leads them to believe that one or more of the specific matters on which they report were not met. However where there are concerns or non-compliance with the requirements of the 2008 Regulations is reported by the examiner then the report is described as 'qualified'.

The trustees submitted the annual documents for financial years ending 31 March 2014 and 2015 on time. Those accounts have been examined by a Commission accountant and found to be fully SORP compliant.

The inquiry met again with the trustees in February 2016 to examine the actions taken in relation to the financial governance of the charity. At the meeting, the trustees provided explanations and demonstrated how the trustees were discharging their duties and complying with their governing document and charity law. The inquiry noted the following evidence in relation to the action plan requirements:

- maintenance of petty cash records which included a petty cash book and documentary evidence to support the payments
- records of cash collections contained 2 signatures as evidence that 2 people were involved in the counting
- evidence that cash was banked in a timely manner
- undertaking of regular bank reconciliations

The inquiry was satisfied that as a result of implementing the directed actions the trustees were discharging their duties by properly managing the charity's funds, and no longer placing them at undue risk.

Conclusions

Based on the evidence viewed by the Commission, it is concluded that:

- there had been mismanagement and misconduct in the administration of the charity by the trustees due to their failure to provide financial information to the Commission in accordance with charity law
- there had been mismanagement by the trustees in the financial governance of the charity due to appropriate policies and procedures not being in place in order to protect the charity's assets
- the Commission's engagement with the charity has had a positive effect in that:
 - the Commission has ensured that £872,238 is now transparently and publicly accounted for on the register
 - the charity is now in a position of compliance with its statutory requirements to submit accounting information for financial years ending 31 March 2014 and 31 March 2015 on time for the first time in 10 years

Regulatory action taken

The Commission used its information gathering powers under section 52 of the act to obtain the charity's bank records and financial information relating to the financial year ending 31 March 2013. These were used in connection with the Commission's scrutiny of the charity's accounts.

On 12 February 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 for financial year ending 31 March 2013 and provide copies of these to the Commission.

On 23 September 2014, the inquiry exercised power under section 84 of the act to direct the trustees to implement the Commission's recommendations.

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

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.

Trustees must ensure that their charity has adequate financial controls in place, 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. In this case there was no clear audit trail of cash donations from donor to bank. The Commission has produced guidance to assist trustees in implementing robust internal financial controls that are appropriate to their charity. **Internal financial controls for charities (CC8)** is available on GOV.UK. There is also a **self checklist for trustees** which has been produced to enable trustees to evaluate their charity's performance against the legal requirements and good practice recommendations set out in Internal financial controls for charities.