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CHARITY COMMISSION
FOR ENGLAND AND WALES

Inquiry Report

Ipswich Kurdish Islamic Cultural Centre

Registered Charity Number 1149580

A statement of the results of an inquiry into the Ipswich Kurdish Islamic Cultural Centre (registered charity number 1149580).

Published on 23 March 2017.

The charity

Ipswich Kurdish Islamic Cultural Centre ('the charity') was registered on 1 November 2012. It is governed by a memorandum and articles of association incorporated on 29 September 2011 as amended by a special resolution registered at Companies House on 10 October 2012 and a certificate of incorporation on change of name dated 29 October 2012.

The charity's objects, as written in its governing document, are:

- to advance education amongst, refugees and asylum seekers living in East Anglia with a view to helping them integrate into British society
- the advancement of religion by the provision of place of worship for Kurdish and other Muslims; raising awareness and understanding of Islamic belief
- to help young people, especially but not exclusively leisure time activities, so as to develop their capabilities that they may grow to full maturity as individuals and members of society
- the organisation shall have a particular focus on meeting the particular charitable needs of the Kurdish community in East Anglia

The charity's entry on the register of charities can be found on [GOV.UK](#).

Issues under investigation

On 25 March 2015, the Charity Commission ('the Commission') undertook a compliance visit and inspection ('the March 2015 visit') at the charity's premises. The charity was proactively identified for a visit due to the fact that its 2013 accounts and annual return had not been filed, and at the date of the March 2015 visit were over 150 days overdue.

The March 2015 visit sought to review the charity's accounting and financial records, to assess whether the charity was operating in accordance with its stated policies and procedures, and to ensure the trustees were complying with their legal obligations in accounting for all of the charity's income and expenditure.

The March 2015 visit identified no legitimate reason for the charity's 2013 accounts not having been filed. The charity's 2013 annual return was subsequently filed on 29 June 2015, 272 days late. The charity's 2014 return was due on 30 September 2015 but was not filed at the date the inquiry was opened on 2 November 2015.

Following a review of the charity's financial books and records during the March 2015 visit, the Commission undertook further enquiries and considered the responses of the trustees to the issues presented. It was the Commission's view that the trustees were unable to produce sufficient evidence to show, and account for, the charity's income and expenditure for the period since its registration as a charity on 1 November 2012 to the date of the March 2015 visit, and that the charity had inadequate internal financial controls. The Commission identified much of the charity's financial activity was being conducted in cash, without proper supporting documentation. Trustees must keep proper and adequate financial records for both the receipt and use of funds and audit trails of decisions. Records of transactions must be sufficiently detailed to show that funds have been spent properly and in a manner consistent with the purpose and objectives of the charity.

During the March 2015 visit the trustees and the charity's accountant agreed to provide various documents to the Commission following the March 2015 visit that related to the charity's finances. The trustees and accountant repeatedly failed to provide the information requested by the Commission. On 4 August 2015 the Commission therefore issued an order to the charity's accountant under section 52 of the Charities Act 2011 ('the act') requiring the same information to be provided. On 12 August 2015 the Commission issued an order to the trustees under section 52 of the act requiring the same information to be provided ('the August 2015 order'). It took additional time to prepare and issue the order to the trustees due to arranging translation of the order into Kurdish-Sorani, the trustees' preferred language. Both orders were only partially complied with.

On 21 July 2015 the Commission was contacted by Ipswich Borough Council ('the council') which had undertaken due diligence checks concerning a Right to Buy application made in relation to a council house in Ipswich. The tenants identified to the council that they were meeting part of the purchase price via a £20,000 interest free loan from the charity in the form of 2 £10,000 cheques. A letter signed by the tenants and the charity was provided to the Commission by the council. The letter confirmed that the loan was zero interest and therefore not offering a return to the charity and constituted a sum over twice the size of the charity's annual income¹.

The letter, dated 28 April 2015, contained no date regarding the commencement of the repayment of the loan but stated that repayments would be £500 per month - no loan repayments were evident in the charity's bank account statements viewed by the Commission up until 3 August 2015. It was therefore not clear to the Commission from its then enquiries on what basis the loan was properly made, how the trustees considered the loan was in the best interests of the charity and how they ensured that the charity's funds which were loaned to the tenants were adequately protected.

On 2 November 2015, as a result of the Commission's concerns about the lack of evidence to show, and account for, the charity's income and expenditure for the period since its registration, the concerns regarding the loan, and the failure to provide all of the requested records, a statutory inquiry ('the inquiry') into the charity was opened under section 46 of the act.

The scope of the inquiry was to examine a number of issues:

- the administration, governance and management of the charity by the trustees with specific regard to a loan provided by the charity
- the financial controls and management of the charity

¹ The charity's income for the financial year end 30 November 2015 was £7,480.

- whether the trustees have provided the information required by the August 2015 order, including the charity's outstanding 2014 accounts
- whether or not the trustees had complied with and fulfilled their duties and responsibilities as trustees under charity law

After opening the inquiry, on 18 November 2015 the Commission exercised its legal powers and made an order under section 84 of the act ('the November 2015 order') directing the trustees to take specified action within a set timeframe - further information is provided under 'Regulatory action taken'.

On 27 July 2016 the Commission conducted a follow up visit to the charity ('the July 2016 visit'). The purpose of the July 2016 visit was to assess whether the trustees had complied with the November 2015 order; the Commission found that the trustees had complied with the majority of the actions required in the November 2015 order as detailed in the 'Findings' section.

During the July 2016 visit the Commission identified additional regulatory concerns regarding unauthorised salary payments made to trustee A, errors within the charity's 2015 accounts, the absence of building and contents insurance taken out by the trustees for the charity's property, which is its main asset, and inadequate records of the trustees' decision making. Consequently the scope of the inquiry was extended to address these concerns. On 25 November 2016 the Commission exercised its legal powers and made an order under section 84 of the act ('the November 2016 order') directing the trustees to take specified action within a set timeframe - further information is provided under 'Regulatory action taken'.

The inquiry was closed on 23 March 2017 with the publication of this report. The Commission will monitor compliance with the November 2016 order.

Findings

The administration, governance and management of the charity by the trustees with specific regard to a loan provided by the charity

The charity's trustees are responsible for its management and administration. The charity is managed by 6 trustees. During the inquiry, the charity did not have any employees and relied on a number of volunteers who were delegated certain tasks and functions.

Charity trustees must use their charity's funds and assets only in furtherance of the charity's purposes. They must avoid undertaking activities that might place the charity's funds, assets or reputation at undue risk. Trustees must also be able to demonstrate that charitable funds and assets have been used for the purposes for which they were intended and that they can be accounted for in accordance with charity law requirements.

The inquiry confirmed that on 28 April 2015 the charity provided a zero interest loan of £20,000 to 2 members of the local community so that they could purchase a property in Ipswich, owned by the council. The loan was provided in the form of 2 cheques each totalling £10,000, paid from a bank account in the name of the charity.

As a result of the November 2015 order, on 18 May 2016 the trustees provided to the inquiry a report, a formal loan agreement between the charity and the tenants dated 28 April 2015, and minutes of a trustee meeting dated 27 April 2015 where the decision was taken to authorise the loan. The loan agreement indicated that the charity's loan had been secured as a charge against the property which it helped to purchase, but the inquiry found that the Land Registry records do not record this charge. During the inquiry, the trustees reconsidered their decision to make the loan and decided that it had not been a proper use of the charity's resources. The trustees therefore sought early repayment of the loan by the tenants. The repayment was completed and equivalent funds deposited into the charity's bank account between January and March 2016.

The inquiry agreed that the loan was not a proper use of the charity's funds. Even if it had been made as an investment, the inquiry found it was not a prudent decision. It was not in the best interests of the charity as it was not an investment offering a return and constituted more than twice the total of the charity's 2015 income that would be unavailable for other charitable activities. It is not clear how the trustees of the charity could demonstrate that making the loan satisfied their statutory (including charities and companies act) and common law responsibilities to ensure that it was a proper use of funds, and they were managing the charity's resources responsibly and acting with reasonable care and skill, while following a proper and documented decision making process. The inquiry found that this decision was not properly made or recorded, and that the loan agreement did not provide adequate protection to ensure the repayment of the loan; this is mismanagement in the administration of the charity. As a result of the Commission's intervention, following the opening of the inquiry on 2 November 2015 and the November 2015 order, the trustees reconsidered the loan arrangement and called in the loan, ensuring that it was repaid by March 2016.

During the July 2016 visit the trustees admitted to the inquiry that they had not taken out buildings or contents insurance for the charity's property. This is despite the property being the only major asset of the charity, bought for £190,000 in 2011 and being the location of all of the charity's activities. During the July 2016 visit the trustees were unable to demonstrate that they had properly considered and managed the risks of not having insurance for the property. They explained that under Sharia law it is prohibited to have insurance unless it is a legal requirement. The trustees said that as there is no specific legal obligation to have building and contents insurance, it had not been purchased for the property. The inquiry found that by failing to obtain adequate insurance, it may be difficult for the trustees of the charity to demonstrate that they have satisfied their statutory (including charities and companies acts) and common law duty of prudence, part of which is ensuring that they are not exposing the charity's property to undue risk, and other fiduciary responsibilities including managing the charity's resources responsibly and acting with reasonable care and skill and in the charity's best interests, while following a proper and documented decision making process.

During the July 2016 visit the trustees advised the inquiry that the charity operates weekend classes for children to learn Arabic and about the Quran, but that the charity does not have a safeguarding policy in place, and the trustees who teach the children have not undergone DBS checks. In these circumstances, omitting to put in place a safeguarding policy and procedures, including to obtain adequate checks for individuals in contact with children amounts to a failure to act in the best interests of the charity. In addition, the trustees' actions point to a possible breach of their duty to comply with the charity's governing document and the law.

The financial controls and management of the charity

Trustees have a duty to manage their charity's resources responsibly and to comply with their charity's governing document and the law. Clause 49(2) of the charity's governing document states that the trustees must comply with their legal obligations in relation to 'keep accounting records as required by the companies acts'.

The inquiry established that the charity had inadequate internal financial controls and could not account for all of its income and expenditure. The inquiry identified discrepancies between the charity's statutory accounts, income records and income banked with, in total, £207,811 more banked between 1 January 2012 and 30 January 2015 than the charity's internal financial records indicated. The charity's bank account showed no evidence of day-to-day transactions which indicated that any cash received was spent before it was banked, and was also not properly accounted for in accordance with charity and company law. In addition the 2013 report and accounts sent to the Commission by the charity included more income than the bank statements, but less declared income than the income records and did not include a trustees' annual report as required by section 162 of the act. These failings are evidence of misconduct/mismanagement in the administration of the charity.

The November 2015 order directed that the trustees must create a financial management policy and provide the Commission with both a copy and evidence of its implementation. The charity provided an adequate financial policy to the Commission on 2 February 2016.

The July 2016 visit sought to test the implementation of the financial policy and established that the charity has financial processes in place that are appropriate for a charity of its size.

However, the July 2016 visit identified that the financial processes adopted by the charity were not following or reflected in the financial management policy that had been created by the trustees; for example the financial policy referred to the use of charity debit cards, but none are held by the charity. This suggested that the trustees were not in control of the charity's finances. The inquiry found that the trustees' failure to adhere to the charity's own policy is evidence of mismanagement and/or misconduct in the administration of the charity. The November 2016 order requires the trustees to address this issue by updating the financial policy.

During the July 2016 visit the inquiry established that the charity had made unauthorised payments to one of the trustees, trustee A. Trustee A was paid a total of £1,360.60 from the charity's funds between March and April 2016. The trustees could not evidence that they had made a formal decision to employ or pay trustee A for the provision of services. If the work completed was considered as employment then this did not comply with clause 4(A)(c) of the charity's governing document which prohibits the employment of a trustee. If the work completed was under a contract for services to the charity, then this did not comply with clause 4(B)(a)(ii) of the charity's governing document which limits the provision of services to the charity by a trustee to the restrictions set out in law, which is currently section 185 of the act. The requirements are to:

- produce a written agreement between the charity and the trustee (or connected person) being paid
- specify the exact or maximum amount to be paid
- make sure the trustee does not take part in decisions made by the trustee board regarding any aspect of the agreement

- agree the payment is in the charity's best interests and reasonable for the service provided
- not allow payments or other benefits to half or more than half of the board - the number of trustees receiving any payment or benefit must be in the minority
- make sure the charity's governing document doesn't prevent it from paying trustees for services

The inquiry found that this is further evidence of mismanagement in the administration of the charity and a further indicator of a failure to comply with the trustees' duty to comply with the charity's governing document and the law.

Whether the trustees have provided the information required by the August 2015 order, including the charity's outstanding 2014 accounts

The Commission expects charity trustees to engage appropriately with the Commission as regulator and to co-operate fully when it is exercising its statutory powers.

The trustees did not comply with the August 2015 order, issued before the opening of the inquiry, which included the requirement to file the charity's outstanding 2014 accounts as well as other information related to the charity's finances that had been identified by the Commission during the March 2015 visit.

The November 2015 order required the charity's outstanding 2014 accounts to be filed and that the trustees comply with their legal duties regarding the filing of statutory returns within the 10 month statutory deadline. The charity's 2014 accounts were filed on 18 May 2016, 231 days late. The charity's 2015 return was filed on 20 September 2016, within the statutory deadline.

The November 2015 order also required various charity documents to be provided to the Commission which had not been provided following the August 2015 order. The trustees complied with this part of the November 2015 order.

The inquiry identified that the charity's 2015 report and accounts do not comply with the charities accounting Statement of Recommended Practice ('SORP') in a number of significant areas. Failure to file correct returns to the Commission that comply with SORP is evidence of mismanagement within the administration of the charity, particularly given the significant corrective advice and guidance that the Commission had previously provided to the trustees and their advisors. The trustees are required to resubmit the charity's 2015 accounts as part of the November 2016 order.

The inquiry concludes that the trustees failed to comply with clause 50 of the charity's governing document which requires the trustees to supply statutory documents to the Commission. 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. Failure to file statutory returns to the Commission is a criminal offence by virtue of section 173 of the act.

The inquiry found that the trustees' conduct fell below that which the Commission expects. The trustees and the charity's accountant repeatedly failed to respond to correspondence from the Commission, but this engagement improved when the trustees appointed a new accountant. This lack of co-operation was despite the Commission arranging for documentation and correspondence to be translated into Kurdish-Sorani due to the trustees' declared limited comprehension of English, and English being used as a second language. The trustees initially failed to take prompt action to address the Commission's regulatory concerns, but did address these concerns following the opening of the inquiry and issuing of the November 2015 order.

Whether or not the trustees had complied with and fulfilled their duties and responsibilities as trustees under charity law

Trustees must accept ultimate responsibility for directing the affairs of a charity, and ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been setup. The Commission's '**Essential trustee guidance**' explains that as their part of their core duties trustees must:

- act in the charity's best interests
- apply the charity's income and property only for the purposes set out in the governing document
- ensure that the charity does not breach any of the requirements or rules set out in its governing document and that it remains true to the charitable purposes and objects set out there
- comply with the requirements of other legislation and other regulations (if any) which govern the activities of the charity
- use reasonable care and skill, making use of their skills and experience and taking advice when necessary

The inquiry found there was evidence of misconduct and/or mismanagement in the charity's administration by the trustees. There were failings relating to the trustees financial management, to follow basic requirements in the governing document and in the overall governance of the charity. As a result, the inquiry found that the trustees had not complied with or fulfilled their duties as trustees under charity law.

Conclusions

The Commission concluded that there was evidence of poor financial management and governance in the charity and a breach of the trustees' duties to the charity. There was evidence of misconduct and/or mismanagement in the charity's administration by the trustees, including in particular, that the trustees:

- repeatedly failed to file the charity's statutory returns on time
- provided an interest free loan to 2 members of the local community, without adequate documentation, which constituted a large proportion of the charity's total income and reserves not being available for other charitable activities and was not demonstrated to be a proper investment
- did not keep sufficient accounting records to explain the charity's transactions and activities
- failed to comply with the terms of the charity's governing document and under charity law in respect of keeping accounting records and general record keeping
- did not implement and follow the charity's own financial policy
- did not properly discharge their legal duties as trustees under charity law - they failed to comply with their duty of prudence, act in the best interests of the charity or with reasonable care and skill

The Commission and the courts expects charity trustees to engage appropriately with it as regulator and to co-operate fully when it is exercising its statutory powers. This is particularly relevant where the Commission has opened a statutory inquiry. The Commission considers that in this inquiry the trustees' conduct fell below that which the Commission and the public expects. They initially failed to take prompt action to address the Commission's regulatory concerns. They did address these concerns following the opening of the inquiry and when the Commission directed them to by the November 2015 order. The trustees and the charity's accountant repeatedly failed to respond to correspondence from the Commission.

In response to its findings, the Commission exercised its powers to issue the November 2015 order to the trustees for them to take steps to improve the management and governance of the charity - as set out in 'Regulatory action taken'. The charity was revisited on 27 July 2016 and as a result of new concerns relating to the charity's payments to a trustee, failure to have insurance in place and errors in its 2015 accounts, the Commission exercised further regulatory powers - as set out in the 'Regulatory action taken', and will continue to monitor the charity's compliance with the required actions and take further regulatory action as needed.

Regulatory action taken

The Commission issued 3 orders under section 52 of the act to obtain the charity's bank statements on 22 December 2014, 5 August 2015 and 29 January 2016.

On 12 August 2015 the Commission made an order under section 52 of the act requiring the trustees to provide specific documents and information to the Commission within a set timeframe including the charity's 2013 and 2014 accounts (in draft if not finalised), the charity's internal financial records and documents relating to the purchase of the charity's property. This order is referred to as 'the August 2015 order'. On 4 August 2015 the Commission exercised its legal powers to make an identical order under section 52 of the act requiring the charity's accountant, who was not a trustee, to provide the same documents and information which the Commission had been advised was in their possession. The trustees and accountant failed to fully comply with the orders, specifically in relation to the filing of the charity's 2014 accounts, the receipt of all of the charity's internal financial records, and the receipt of all of the records relating to the purchase of the charity's property.

Following the opening of the inquiry on 2 November 2015, on 18 November 2015 the Commission made an order under section 84 of the act directing the trustees to take specified actions within a set timeframe, referred to as the November 2015 order. The order was made as the Commission was satisfied that, at the time:

- there had been misconduct or mismanagement in the administration of the charity
- it was necessary or desirable to act for the purpose of protecting the property of the charity

The order directed the trustees to file the charity's outstanding 2014 accounts and provide a formal explanation of their decision to provide an interest free loan out of the charity's funds. The order directed that the trustees must take steps to improve the charity's financial management and general governance.

On 4 April 2016 the Commission made an order under section 337(6) of the act to vary an order and to provide an extension for the trustees to comply with November 2015 order. The extension was provided after representations were made to the Commission from the trustees through the charity's new correspondent.

On 27 July 2016, as part of the inquiry, the Commission conducted a second visit to the charity to establish and test the trustees' compliance with the November 2015 order. The inquiry found that the trustees had complied with actions required by the November 2015 order.

Prior to the Commission's second visit to the charity, the trustees provided the Commission with various documents, policies and procedures which, if adhered to, will assist the trustees in demonstrating compliance with their legal duties. However, owing to the limited amount of time between the receipt of these documents on 18 May 2016 and the July 2016 visit it had not been possible to test and evidence the trustees' compliance with these new policies and procedures. This will be addressed by examining the charity's records and adherence to its own policies when the Commission revisits the charity in the future as part of continued post inquiry monitoring.

Following the identification of new regulatory concerns during the July 2016 visit, on 25 November 2016 the Commission made an order under section 84 of the act directing the trustees to take specified actions within a set timeframe - this is referred to as the November 2016 order. The order was made as the Commission was satisfied that, at the time:

- there had been misconduct or mismanagement in the administration of the charity
- it was necessary or desirable to act for the purpose of protecting the property of the charity

The order directed the trustees to resubmit the charity's 2015 accounts to correct errors, amend the charity's financial management policy to reflect the procedures already in place, and formally consider whether to obtain building and contents insurance for the charity's property and whether or not trustee A should reimburse the charity for the salary paid to them. The trustees are required to provide the Commission with detailed evidence of their decision making regarding their consideration of buildings and contents insurance, and whether or not trustee A should reimburse the charity for the salary paid to them. The order directed the trustees to implement a safeguarding policy and report on this to the Commission, as well as improve the recording of their decision making.

Following the closure of the inquiry, and unless there is reason to do so sooner, the Commission will revisit the charity again after the deadline for complying with the November 2016 order expires to ensure that the trustees are complying with their legal duties and responsibilities under charity law and have complied with the November 2016 order. Failure by the trustees to comply with the November 2016 order will result in further regulatory action by the Commission.

In addition to the orders, as a result of the Commission's engagement with the trustees and a review of the charity's records the Commission identified regulatory concerns relating to the charity's governance and record keeping and regulatory advice and guidance was given under section 15(2) of the act in respect of:

- financial controls
- charity accounts
- decision making
- record keeping

Issues for the wider sector

The purpose of this section is to highlight the broader issues arising from the Commission's assessment of the issues raised publicly that may have relevance for other charities. It is not intended as further comment on the charity in addition to the findings and conclusions set out in the earlier sections of this report, but is included because of their wider applicability and interest to the charity sector.

Application of charitable funds and financial controls

It is a duty of charity trustees to ensure that the charity's resources are protected in order that the charity can fulfil its aims. This means ensuring internal financial controls are in place in order to ensure that the charity's resources are safeguarded, can be accounted for and the charity can fulfil its aims. Internal financial controls are just one part of a charity's overall control framework (which includes the charity's systems and activities). The aims of internal financial controls are to protect assets, identify and manage the risk of loss or waste, ensure financial reporting is robust and trustees comply with charity law and regulation relating to finance.

In order for a charity to achieve its aims, the trustees must ensure that the charity's assets are properly used, its funds are spent effectively and its financial affairs are well managed. This includes, but is not limited to, keeping sufficient accounting records to explain all transactions and show the charity's financial position. Correct administration of the charity's finances ensures risks to assets are minimised and that the trustees are able to prepare timely and relevant financial information for their own review, to the charity's accountants/auditors and the Commission.

Charity trustees must exercise sufficient control over their charity's financial affairs both in the UK and internationally. As an absolute minimum, they must keep proper and adequate financial records for both the receipt and use of funds and audit trails of decisions. Records of both domestic and international transactions must be sufficiently detailed to show that funds have been spent properly and in a manner consistent with the purpose and objectives of the organisation.

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. It is a fundamental duty of all charity trustees to protect the property of their charity and to secure its application for the objects of the charity. In order to discharge this duty it is essential that there are adequate internal financial and administrative controls over the charity's assets and their use.

Co-operation with the Commission

Charity trustees are under a legal duty to co-operate with the Commission and the Courts have been very clear about this. Whether they do so or not may be a relevant factor in assessing whether misconduct or mismanagement may have taken place in a charity and considering whether any regulatory action is proportionate.

The Commission expects charity trustees to engage appropriately with the Commission as regulator and to co-operate fully when it is exercising its statutory powers. This is particularly relevant where the Commission has opened a statutory inquiry.

Private benefit

The law requires charity trustees not to place themselves in a position where their duty to the charity might conflict with their own interests, where they may have an incentive to neglect their duties as trustees. Also, a charity trustee is not permitted to profit from that position (unless he or she is expressly authorised to do so). No trustee or former trustee should benefit from their position without authority which would come from the charity's governing document or, if there is no such provision in the governing document, the courts or the Commission. A trustee who benefits from a position of trust without the necessary authority is liable to repay the benefit which he or she has received.

Decision making

Charity trustees should ensure that adequate records are kept of their decisions so that they can demonstrate that they have acted in accordance with the governing document and with best practice. From time to time, trustees may have to take decisions with which other people may disagree, and which may come under very close scrutiny. In these circumstances, trustees should be able to demonstrate clearly that they had:

- acted reasonably within the range of decisions which a reasonable body of trustees could make
- acted within the powers conferred upon them and the established rules and procedures for dealing with issues of that kind
- acted in good faith and with integrity, avoiding any personal advantage or conflicts of interest
- adequately informed themselves in order to make the decision in question
- acted objectively and not take into consideration any factors which it is not proper for them to take into account
- considered fully all factors which they should take into account

Filing of accounts and annual returns

Trustees must ensure that the charity complies with charity law, and with the requirements of the Commission as regulator; in particular ensuring that the charity prepares reports on what it has achieved and annual returns and accounts as required by law. There are legal requirements for charities, relating to the maintenance and retention of accounting records; the preparation of charity accounts and annual reports; the audit or independent examination of accounts; and the submission of these to the Commission. Trustees must familiarise themselves with the appropriate requirements.

Charity insurance

If a charity owns land or buildings, trustees need to know on a continuing basis what condition it is in, that it is being properly used, and that adequate insurance is in place. **The essential trustee: what you need to know, what you need to do (CC3)** makes clear that decisions about charity land and property are important. If the charity owns or rents land or buildings, the trustees need to:

- make sure the property is recorded as belonging to the charity
- know on what terms it is held

- ensure it is properly maintained and being correctly used
- make sure the charity has sufficient insurance

A charity's governing document or the general law can provide a 'power to insure'. If the governing document imposes a positive duty to insure, if trustees then fail to insure property, this will be a breach of trust. More details are available in the Commission's guidance **Charities and insurance (CC49)**.