

Faith-based charities in the spotlight

Recent Charity Commission statistics on its investigations into mismanagement within charities show that faith-based charities make up a significant number of those investigated by the regulator.



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Tesse Akpeki and Barbara Eze examine the statistics and explore the role good governance can play in reversing the trend

The statistics – setting the context

The Charity Commission's detailed analysis of its use of investigatory powers for 2014–2015 reveals an interesting picture. Charities whose objects include the advancement of religion ranked the second highest of those who faced statutory inquiries or operational compliance cases.

Out of 1,162 operational compliance cases opened by the commission between 1 April 2014 and 30 April 2015, 335 were charities that undertook religious activities. Not all charities undertook religious activities exclusively; for some, advancement of religion was one of multiple charitable objects. Delving deeper into the numbers, of the 335, 143 were Christian, 77 were Muslim, and 25 were Sikh. The remaining 90 charities break down as follows: 16 Jewish, 9 Buddhist, 3 Hindu, and 62 classified as 'other'.

Faith-based charities make up approximately 20% of charities registered with the commission. However, figures on the number of registered charities belonging to a particular faith group are unavailable. It therefore cannot be conclusively said whether the breakdown of faith-based charities investigated mirrors the breakdown of faith-based charities registered. However, as there are significantly more registered Christian charities than other faiths, there appear to be some broad parallels.

Of the 96 statutory inquiries launched between 1 April 2014 and 30 April 2015, 44 were into charities undertaking religious activities – an increase from the previous year. The commission's annual report for 2013–2014, *Tackling Abuse and Mismanagement*, reveals that of the 64 statutory inquiries launched by the commission, 23 were into charities carrying out religious activities.

Behind the statistics – grounds for investigation

Under Section 46 of the Charities Act 2011, the

commission can institute an inquiry where there are concerns relating to the administration and running of a charity. These powers are exercised where serious misconduct or mismanagement is suspected or where there is a high level of risk to the charity or to public confidence in charities more generally. Launching a statutory inquiry enables the commission to use a range of powers, including suspension or removal of trustees, ordering certain information to be provided, or freezing a charity's bank accounts.

Operational compliance cases are, by comparison, informal and the majority of concerns relating to failures and weaknesses in charities' management are resolved using this method. The powers available to the commission are not as stringent as those where a statutory inquiry has been launched.

The commission do not always exercise their investigatory powers. Depending on the circumstances, the commission may deem it appropriate to provide regulatory advice or require trustees to follow an action plan.

Dissecting the statistics – the empirical evidence

Poor governance is a running theme where statutory inquiries or operational compliance cases are opened, as shown by these examples:

- 'Double defaulting' – in August 2014, the commission removed 12 charities, which included some faith-based charities, as a result of its statutory inquiry into charities that had failed to file accounts in two of the last five years.
- Financial irregularity – operational compliance cases have been opened where organisations, including those whose objects include the advancement of religion, are suspected of improper practice in relation to charitable funds.
- Protection of vulnerable beneficiaries – particularly relevant to faith-based charities, the commission has opened cases where there are concerns about the organisation's treatment of vulnerable people.

Beyond the statistics – strengthening governance

So, how can charities start to improve their governance? Here are four key areas:



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1. Know your role as a trustee

The commission's guidance, *The essential trustee: what you need to know, what you need to do*, sets out trustees' key responsibilities and duties.

The guidance has been revised recently, and the commission encourages all trustees, new and experienced alike, to read the guide, which sets out legal and regulatory requirements, recommended good practice, and practical examples of how trustees can promote good governance within their charity.

2. Trustee development

Onboard's report into trustee board effectiveness, *Governing with intent*, highlights that strong induction programmes and ongoing governance training are important. The charity regulatory landscape, like any other, can shift. Knowledge of such changes is a prerequisite to ensuring that trustees continue to comply with the law. Regular training is a key part of ensuring good governance is continually practised.

'Faith-based organisations, like all charities, should prioritise improving their governance practices'

3. The board's purpose

Governance goes beyond regulatory compliance and following good practice. Interviewing trustees, chairs, and chief executives, Onboard found that it is important the board recognise their role as guardians of the charity's mission and the need to work collaboratively with key players, including the chief executive, to develop the charity's long-term strategy. Both these factors can have considerable impact on board effectiveness and governance. The relatively new but emerging practice of assessing board performance can also strengthen governance, enabling charities to identify gaps in skills, experiences, and personal characteristics on the board.

4. Share good practice

Onboard's report points out that 'sharing good practice so that others can benefit is an important element of effective governance'. Faith-based umbrella bodies and networks are fitting platforms

where good governance and effective strategies can be shared in the context of issues that are particularly relevant to faith-based charities.

With the commission's increasingly proactive stance in protecting charities from abuse and mismanagement, faith-based organisations, like all charities, should prioritise improving their governance practices. Not only will this avoid the charity becoming a statistic, but, ultimately, a well-run charity is better placed to fulfil its objectives and serve its beneficiaries.

Useful Guidance



Governing with intent can be downloaded via this link: www.onboard.org/wp-content/uploads/2015/07/Governing_with_Intent.pdf



The essential trustee: what you need to know, what you need to do guidance by the Charity Commission can be accessed here: www.gov.uk/government/uploads/system/uploads/attachment_data/file/451020/CC3.pdf