

Humane Educational Society (Council for Protection of Animals)

Registered Charity No. 207513

Introduction

1. This is a statement of the results of an Inquiry under Section 8 of the Charities Act 1993.
2. The Humane Educational Society ('the charity') was registered as a charity on 22 September 1962 and is governed by a Constitution and Rules adopted in 1927. The charity's objects are to promote through home, church and school the education of children and adults in humane principles and right treatment of all living creatures.
3. The charity operates from its premises in Wilmslow, Cheshire and in the financial year ending 31 December 2001 the charity's income was £210,807.

Issues

4. The charity had been the subject of a previous inquiry in 2004, which focused on the charity's non-submission of accounts and annual returns since those last received for the financial year ended 1999. During the course of the inquiry however it became evident that one trustee, [REDACTED] was running the charity single-handedly, despite informing the Commission that there were two other trustees. A repeated request for this trustee to disclose the names and addresses of the other trustees was not forthcoming.
5. After reaching agreement with this trustee that the charity's accounts and annual returns would be forwarded by a certain date, and that the names and addresses of the other trustees would be provided to the Commission, the inquiry was closed. The details of this inquiry were published in a generic report on the Commission's website at www.charitycommission.gov.uk in March 2005, entitled "Enforcing Submission of Annual Returns and Accounts (4)".
6. None of the charity's accounts, annual returns or trustee details were provided to the Commission. The Commission was therefore concerned that the charity was not being administered properly and without up-to-date financial information the Commission was not able to assess the charity's current financial position. At the beginning of 2005 bank statements were obtained under Section 9 of the Charities Act 1993 and a scrutiny of them led to concerns that the charity's income was being spent at a considerable rate.
7. The Commission also received a complaint that employees at the charity were being paid in cash, and that [REDACTED]
[REDACTED]

8. In March 2005, the Commission decided to open a further Inquiry in order to examine these concerns.

Findings

9. An examination of the charity's financial records undertaken by the inquiry officer and a Commission Accountant found that a significant amount of the charity's money had been spent and continued to be spent at a considerable rate with no clear evidence that it was proper expenditure. For the purpose of protecting the property of the charity the Commission issued an order under section 18 of the Charities Act 1993 freezing both the charity's bank account and its investments so that there could be no further expenditure until the inquiry officer was satisfied that it was being incurred for the benefit of the charity.

10. At the initial meeting arranged by the inquiry officer with all of the trustees, only the one trustee who was conducting the charity in 2004 attended. This supported the Commission's concern about the administration and management of the charity.

11. At this meeting the inquiry officer also established that:

- A significant amount of money had been spent on renovating the area at the charity's premises which houses rescued cats. This was known as the 'cattery'. The renovations having been undertaken in order to bring the cattery up to the standard expected by the Local Authority. The charity had always run a cattery even before it received funds from the Mabel Spur Cat Foundation charity following its dissolution in September 1999;
- Contracts for a significant amount of building work and other services had been entered into by the one trustee who was conducting the charity in 2004, which carelessly resulted in increased and unnecessary costs being incurred. Furthermore, only verbal estimates for works had been obtained, and not written quotations, and no completion dates were agreed between the charity and the companies providing work/services;
- Other high levels of expenditure were also being authorised by this same trustee on a regular basis

[REDACTED]

[REDACTED] The fact that this was an undeclared conflict of interest that was not being managed was also a concern to the Commission;

- The trustees did not have any financial controls in place; blank cheques were being signed by another signatory on a regular basis, who during the course of the investigation was identified to be a trustee; and wages were regularly being paid to employees in cash;

- Land had been purchased by the charity for use as a goat sanctuary, with further monies being spent on a regular basis on the upkeep of the goats;
- As well as the cats being housed by the charity, a large number of other animals including rabbits, pigs and horses were also being housed at the charity's premises. As an educational charity it was not fulfilling its role. Rather that the housing of animals should have been a secondary role with the promotion and education of children and adults in humane principles and right treatment of all living creatures being the primary purpose.

At this meeting, the trustee agreed, again, to provide the Commission with the names and addresses of the other trustees.

12. Eventually the names and addresses of two other trustees were provided. After making contact with these trustees and arranging a meeting with them, independent of the other trustee, it became apparent to the inquiry officer that these trustees had not been actively involved in the administration of the charity. The trustees advised however that they had requested meetings with the other trustee, and provided evidence by way of emails etc in support of this, but that meetings were never forthcoming. Further, that they had not been made aware:

- Of the current or previous inquiry into the charity;
- Of the level of expenditure and the purposes for which had been and was being incurred by the charity;
- That the charity's accounts and annual returns had not been submitted to the Commission since those last received for the financial year ended 31 December 1999;
- [REDACTED]
- That the whole trustee body had not met for a number of years, and that Annual General Meetings were not being held; and
- The charity was acting outside of its objects, i.e. that it was not educating children and adults in humane principles and right treatment of all living creatures.

Outcome of the Inquiry

13. The three trustees have now appointed two additional trustees, thereby increasing the trustee body. From the trustees a chair, secretary and treasurer have also been appointed. The original 'dominant' trustee no longer has sole control of the charity, and is no longer the charity correspondent. Fortnightly meetings are also now held with all or the majority of trustees, at which the charity's administration is discussed and expenditure agreed, but trustees do meet more frequently as and when necessary. All meetings are now minuted.

14. The charity's internal financial controls have been sufficiently tightened with additional signatories having been added to the charity's bank mandate. Two signatures, neither of which is the original dominant trustee are required on all cheques. Blank cheques are no longer signed. The trustees have also now set-up BACS arrangements with the bank for automated

payment of all wages. In addition, a monthly financial statement showing all income and expenditure is produced and distributed to all trustees.

15. The trustees monitored the charity's expenditure and as a result of the high expenditure all building work has been stopped, [REDACTED]

16. [REDACTED]

17. The trustees, in an effort to increase income, set about 're-launching' the charity by way of a quarterly newsletter to members. As well as reviewing the membership fee the trustees have also:

- set charges/contributions for all homed animals; and
- are considering introducing an adoption scheme for the animals in their care.

18. The trustees have appointed a management advisor on a temporary basis to address the necessary revisions to the charity's current objects.

19. The trustees have re-engaged their previous firm of Chartered Accountants/ Auditors to complete their outstanding accounts for the financial years ending 31 December 2000 and 2001. These have been submitted to the Commission. Accounts for the financial years ending 31 December 2002 to 2004 have also been completed; however, these remain in draft stage due to a large amount of unidentified expenditure. The trustees have advised the inquiry officer that the previous dominant trustee has been asked to provide answers for this expenditure. The inquiry officer, having had discussions with the charity's Accountant is satisfied that the outstanding accounts are in the process of being finalised and submitted.

20. As a result of significant action taken by the trustee body as a whole to tighten its financial controls; expenditure; and administration the Commission has now discharged its Orders and unfrozen both the charity's bank account and investment account.

21. The inquiry was closed on 11 November 2005 following various recommendations made to the trustees about the charity's financial and administrative procedures. The trustees agreed to take these on board. It was also agreed that the inquiry officer would re-visit the charity six months following the closure of the inquiry to ensure that the charity is continuing to be managed effectively and to ensure that progress is being made on agreed action points.

Wider lessons

22. 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 which it has been set up. It is important therefore that trustees:

- ensure that the charity complies with charity law, and with the requirements of the Charity Commission as regulator; in particular ensure that the charity prepares reports on what it has achieved and annual returns and accounts as required by law;
- 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 purpose and objects;
- act with integrity, and act exclusively in the best interests of their charity;
- avoid undertaking activities that might place the charity's endowment, funds, assets or reputation at undue risk;
- use reasonable care and skill in their work as Trustees, using their personal skills and experience as needed to ensure that the charity is well-run and efficient; and
- get external professional advice on all matters where there may be material risk to the charity, or where the Trustees may be in breach of their duties.

23. Charities must ensure that they have adequate policies and procedures in place to safeguard against conflicts of interest that may arise, even where that conflict may be either an indirect financial gain or non-direct gain. When a conflict does arise the trustees should ensure that it is effectively managed, such as:

- the removal of the trustee concerned from the decision making process;
- managing the conflict of interest once a decision has been made; and
- recording details of the discussions and decisions made.

It is also good practice at the beginning of a meeting for every charity trustee to declare any private interest which he or she has in an item to be discussed, and certainly before any discussion of the item itself. Simply declaring that a conflict exists and withdrawing from the discussion and any decision making will be all that is required if the trustee is not receiving any material benefit as a result of the conflict of interest. However, if a trustee is receiving a material benefit this will need authority from the Commission.

24. Trustees should be aware that under Section 49 of the Charities Act 1993 trustees who, without reasonable excuse, persistently fail to comply with the requirements of the Charities Act 1993 to supply Annual Returns and Accounts may be guilty of a criminal offence and may, on conviction, be fined. There have been previous successful prosecutions of trustees for failing to comply with the requirements to submit Annual Returns and Accounts.