

# Emmanuel International Ministries

Registered Charity - 1088318

## Introduction

1. This is a statement of the results of an inquiry under section 8 of the Charities Act 1993 ('the Act').

2. Emmanuel International Ministries ('the charity') was registered as a charity on 4 September 2001 and is governed by a Constitution dated 9 April 2001. The charity's objects are to advance the religion and education of young people and the relief of poverty, sickness and distress. The charity's office was based in Gorseinon, Wales.

3. In the 6 months ending June 2004 the charity's reported expenditure was £20,522 and its income £19,252.

## Issues

4. The Commission received two complaints regarding the management of the charity. The alleged issues of concern were:

- Misappropriation of charitable funds for the retrieval of legacies and for trustees' personal expenditure;
- Lack of charitable expenditure; and
- The charity being wound up and continuing to receive funds.

5. During the evaluation into these concerns it was also identified that the charity's accounts were not compliant with SORP (The Statement of Recommended Practice).

6. An inquiry was opened on 24 November 2004.

## Findings

7. The charity's main activity was stated as providing support to an orphanage in Zambia, providing food, education, shelter and sponsored the children in the orphanage.

8. When conducting a books and records review, the Commission found that the charity held limited books and records for the sampled period of January 2003 to January 2005 ('the period').

9. The Commission found that the charity had a branch called 'Emmanuel Ladies Fellowship' which acted as a fundraising branch for the charity. Fundraising was predominantly conducted through church and missionary visits and the charity's website.

10. The Commission found that the trustees only held invoices and receipts to cover a short period during 2003; no other invoices or receipts were supplied for the period.

11. The Commission found that the majority of expenditure over the period was cash payments. No documentation was held to support why the cash payments were made.

12. The Commission found that audit trails and accounting records were poor and inadequate for the period.

13. Cash payments were also used to cover two trustees' expenses whilst travelling in the USA. Limited supporting invoices could be provided for that expenditure.

14. The Commission found indications that the personal joint bank account of two trustees had been used to receive charitable funds. By their own admission a personal account has been used as payment for charitable activity after funds have been received and transferred into it; there is no audit trail to log this activity.

15. The Commission found that there was not a clear separation of charitable and personal funds.

16. The Commission found that restricted funds given to the charity were not expended for the specified purpose.

17. There was not a clear audit trail of any funds given to sponsor a child actually being spent on that specific child.

18. The charity has fallen prey to an internet scam which has resulted in £4,500 being defrauded from the charity. This money has been written off by the trustees.

19. The Commission found that the charity had potentially been the subject of a further scam involving the potentially fraudulent retrieval of legacies based in Africa. £27,000 of charitable funds have been inappropriately used to try to release these legacies. Only two trustees were actively involved in the authorising of the charitable funds for retrieval of the legacies. Such expenditure is deemed as being outside the organisation's charitable objectives.

20. The charity had six trustees. Four of the trustees were not active in the running of the charity. Five of the trustees were also related.

21. The Commission could find limited evidence that trustee meetings were held. Some trustee meetings were held by telephone and were not minuted.

22. During the course of the Inquiry the trustees were continuing to raise funds.

## Outcome of the Inquiry

23. The trustees have confirmed that the charity has now formally wound up and all fundraising has ceased. The charity has been removed from the Register of Charities. They have signed an undertaking not to fundraise or publicise Emmanuel International Ministries.

24. All charity bank accounts have been closed.

25. The trustees confirmed that they had written to donors to request they cease donating to the charity.

26. To date the legacies have not been forthcoming. To ensure the funds are expended for future charitable use the trustees have been instructed to inform the Commission if the legacies are released.

27. The misuse of charitable funds was reported to the Police. After conducting an investigation, the Police decided to bring no charges.

28. The National Criminal Intelligence Service (NCIS) was also informed in connection with the potential fraudulent legacy retrieval.

29. The trustees who were not actively involved in the legacy retrieval took independent legal advice on the potential for recovery. Having done so, they decided not to take action for the recovery of misapplied funds.

30. The inquiry was closed on 7th June 2005.

## Wider lessons

31. It is the 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 there are adequate internal financial and administrative controls over the charity's assets and their use.

32. Trustees should be aware that they may only apply their charity's assets to furthering its stated purposes and not for any other purposes, whether charitable or not. If there is evidence that trustees have deliberately or recklessly used charity assets for inappropriate purposes the Commission will consider taking steps to obtain restitution from them personally.

33. Those acting in the administration of a charity should be familiar with the terms of the governing document and ensure that its terms are complied with. If the governing document requires the charity to have a certain number of trustees, or specifies a minimum number of trustees who must be present if a meeting of the trustees is to be properly constituted, the trustees must ensure that their strength does not fall or, if it does, does not stay below that number.

34. One of the prime internal financial controls is the separation of those responsibilities or duties which if combined would enable one person to record and process a complete transaction. If duties are segregated, this reduces significantly the scope for errors and oversights, as well as deliberate manipulation or abuse, and builds in additional checks.

35. Charities should be wary of unsolicited offers of grants, legacies or investment opportunities, particularly where the source of the offer is overseas. These offers are often made with the intention of obtaining a payment from the charity prior to it receiving the promised grant. On receipt of this 'advance fee', the fraudster disappears. Further information on advance fee fraud can be found on the web site of the National Criminal Intelligence Service by following this link: <http://www.ncis.co.uk/ukta/2002/threat05.asp>