

Fontainebleau Youth Foundation

Registered Charity No. 1014493

Introduction

1. This report is the statement of the results of an Inquiry under Section 8 of the Charities Act 1993.
2. Fontainebleau Youth Foundation ('the Charity') was registered as a charity on 29 September 1992 and is governed by a Memorandum and Articles of Association. The object of the Charity is the advancement of the education of young people of Europe. The Charity achieves this by organising conferences focusing on issues affecting the European Union. These are attended by students from throughout Europe. It operates from its office at Witney in Oxfordshire.
3. The Charity's income in the financial year ending 31 December 2003 was £53,000 and its expenditure was £47,600.

Issues

4. The following concerns were brought to the Commission's attention by a member of the public. It was alleged that:
 - the way in which the Charity managed its involvement with its subsidiary, European Youth Parliament International Ltd ('the subsidiary'), resulted in the possible mismanagement of charitable funds;
 - there were conflicts of interest and possible unauthorised payments to a trustee;
 - the trustees had delegated all of their responsibilities to the [REDACTED] and
 - the charity appeared to be insolvent.
5. During the Inquiry the Commission also considered other concerns which it had identified.

These were:

 - the failure of the Charity to provide Annual Returns in a timely fashion; and
 - a breach of the quorum requirements for trustees provided in the Articles of Association, in that there was an insufficient number of trustees appointed.
6. The Inquiry was opened on 14 June 2004.

Findings

7. The charity had made short term loans to the subsidiary. The Charity was unable to present sufficient evidence to the Commission to demonstrate that the unsecured loans were made in furtherance of the Charity's objects and as such charitable funds may not have been applied for exclusively charitable purposes. The loans have subsequently been repaid to the Charity in full and the subsidiary was wound up in May 2004.
8. Owing to a commonality of the directors of the subsidiary and the trustees of the Charity, there was a potential conflict of interests. There was no formal policy in place to manage this.
9. The [REDACTED] of the Charity resigned from [REDACTED] trusteeship in order to take up a paid position with the subsidiary. Whilst technically there was a breach of the obligation owed as a trustee not to use their position to obtain any personal benefit or advantage, the Commission is satisfied that this arrangement was entered into in good faith and there has been no loss to the Charity.
10. The day to day running of the Charity is undertaken by [REDACTED]. Although [REDACTED] is eminently qualified to undertake this role the trustees have failed to effectively monitor the actions of [REDACTED] provide sufficient strategic planning or become actively involved in the administration of the Charity.
11. The accounts of the Charity show that as of 31 December 2003 the Charity is insolvent. The trustees are taking active steps to secure future funds for the Charity.
12. The Charity failed to comply with its statutory obligation to send to the Commission its Annual Return Forms for 2001 and 2002 within ten months of the financial year end.
13. The Charity currently has three trustees. The governing document stipulates that there should be a minimum of four trustees to enable the Board to be quorate. Owing to two trustees residing abroad it has also proved difficult for the trustees to effectively manage the Charity.

Outcome of the Inquiry

14. Any concerns relating to the Charity's relationship with the subsidiary have been addressed by the winding up of the subsidiary and the repayment of the loans to the charity.
15. The trustees have undertaken to consider and implement revised controls and procedures with regards to the day to day management of the Charity. This will be monitored by the Commission.
16. The trustees will undertake a review of the Charity's activities to ensure that it remains financially viable.

17. The trustees have now fully complied with their statutory obligations and have submitted the outstanding Annual Returns to the Commission.

18. The trustees have agreed to appoint additional trustees resident in the UK as a matter of urgency. This will be monitored by the Commission.

19. The Inquiry was closed on 3 June 2005.

Wider Lessons

20. Trustees are responsible for the overall management and administration of the charity. Where duties are delegated, there should be clear guidance showing the scope and limits of the delegation. Delegation does not absolve responsibility. Procedures for reporting back to the trustee body should be in place.

21. It is vital that trustees avoid becoming involved in situations in which their personal interests may be seen to conflict with their duties as trustees. Where there is actual or potential conflict of interest there is an obligation on charity trustees to take all reasonable steps to avoid circumstances where they would be obliged to weigh the interests of the charity against other interests to which they may have duties or loyalties. A trustee must not allow the interests of the charity to be subservient to those other interests, either in whole or in part.

22. Charities should take seriously their responsibilities to comply with requirements for the submission of Annual Returns or Accounts to the Commission. Transparency and accountability helps underpin the confidence of the public in charities and allows funders and supporters to see how their money is being used.

23. Trustees have a duty to maintain a quorum of their numbers, to enable the charity to operate lawfully. It is important that the trustees are familiar with the governing document of the charity and its requirements.