

## Midland Refugee Council

Registered Charity No. 1039070

### Introduction

1. This report is the statement of the results of an Inquiry under Section 8 of the Charities Act 1993.
2. The Charity was registered on 29 June 1994 and is governed by Memorandum and Articles of Association as a charitable company. The charity's objects in brief are to provide relief for refugees and their dependents who are in need or distress, and to assist by education in their rehabilitation within a community new to them. In practice, the greatest part of its activities has been organising and administering the housing of refugees.
3. The income of the charity for the financial year 2004 was £3,400,467, most of which was derived from grants.

### Issues

4. The Commission received complaints about the charity's financial systems, management and administration. These included whistle-blowing by senior members of staff.
5. Following an evaluation of the concerns raised, an Inquiry was opened on 16 May 2003.

### Findings

6. Officers of the Commission examined books and records, interviewed trustees and staff and took statements from many of them. They also co-operated with, and were assisted by, other concerned bodies, such as Birmingham City Council's Supporting People.
7. The complete trustee body had not been notified of the true financial position of the charity and records had been poorly maintained.
8. Funding bodies had withdrawn grants because of doubts over their use and management.
9. The charity was making considerable losses. These were exacerbated because there was a division within the trustee body, which was having a deleterious effect on the effectiveness and efficiency of the charity. It appeared that some trustees were excluded from the decision-making process.
10. Staff had been suspended incorrectly and had to be reinstated.

11. The Chief Executive Officer had been barred from attending trustee meetings by [REDACTED] and could not present up to date reports of the charity's activities and financial position.

12. Documentary evidence showed that some members of staff and the trustee body had outside commercial interests that conflicted with their responsibilities to the charity.

## Outcome of the Inquiry

13. The Commission concluded that the facts established during the inquiry constituted mismanagement, and that, if allowed to continue, would put charity assets at risk.

14. [REDACTED]

15. To ensure the proper administration of the charity, the Commission appointed four independent trustees.

16. The independent trustees attempted to save the charity from bankruptcy and dissolution and were successful in arranging for grant aid to be recommenced. However, debts that had accrued previously and losses in the housing area of the charity's work made this impossible. The charity, having become insolvent, was wound-up by an insolvency practitioner appointed by the trustees.

17. The Inquiry was closed on 27 September 2005.

## Wider Lessons

18. Trustees are responsible for their charity and should ensure that they are in full possession of relevant information. In particular, they must keep abreast of the financial position of the charity.

19. Financial and administrative records of a charity must be complete and transparent.

20. Personnel management must comply with current employment legislation.

21. Where conflicts of interest occur in a charity, they must be recognised and stringently controlled. Where a trustee is conflicted, he or she must not take part in decisions that affect him or her. Staff should not work in areas of the business where they might be conflicted and trustees must ensure that this does not happen.