

# Strongbones Children's Charitable Trust

Registered Charity No. 1086173

## Introduction

1. This report is the statement of results of an inquiry conducted under section 8 of the Charities Act 1993.

2. The Strongbones Children's Charitable Trust was registered as a charity on 17 April 2001 and is governed by Memorandum & Articles of Association. The objects of the charity are to relieve sickness and preserve and improve health by the provision of medical equipment and facilities which may be required for the treatment of osteo- and all forms of arthritis, scoliosis and all other diseases of the bone in persons under the age of eighteen and to provide such services such as advice and counselling for parents and carers of such children as shall from time to time be agreed by the trustees. The charity operates from offices at Dagenham, Essex.

3. In the year ending 29 February 2004 the charity's income was £384,807.

## Issues

4. The following concerns were brought to the Commission's attention by members of the public:

- Ambiguous or incorrect information offered to potential supporters either by telephone or literature.
- Breach of Lotteries & Amusements Act 1976 when conducting raffles.

5. The Commission's evaluation of the case also identified:

- A very low level of charitable expenditure when compared to total income.
- A failure to identify restricted funds within the accounts
- An audit qualification by the auditor.

6. The Inquiry opened on 21st February 2005 to look into the above concerns.

## Findings

7. The Commission found from a check on the administration for the issue of fundraising material revealed that, at times, out of date literature was being sent out.

8. The charity's financial records were found to be in good order and gave no cause for concern.

9. The accounts show various expenditure items under charitable expenditure, yet by their description were either costs allocated as administration or the cost of generating funds. By apportioning costs instead to (i) charitable activity, (ii) cost of generating funds, and (iii) support and administration costs, reveals that over the past three years grants and donations as a percentage of total income varied between 4% and 8%.

10. The Commission found that the charity employs a high number of staff to administer its own telephone call centre and administration section. Staff costs account for approximately 48% of the charity's indirect costs.

11. The Charity solicits certain funds for specific named appeals. The Commission found that such funds were not being treated as "restricted" within the accounts, but simply included with general funds received.

12. The auditor was able to explain that his report contained a qualified statement that had been included following advice from the Institute of Chartered Accountants in England & Wales (ICAEW), because it was impossible to certify all telephone appeal conversations and supervise the counting of monies. The Commission was satisfied that this did not imply that the charity did not employ proper controls and supervision.

13. The Commission found that one trustee had not attended any trustee meetings for a considerable time and has no active involvement with the day to day operation of the charity. This could create governance difficulties if either of the other two trustees became indisposed.

## Outcome of the Inquiry

13. The charity had not registered with the Local Authority under the Lotteries and Amusements Act 1976. This omission was quickly rectified prior to our visit and lottery tickets are now being printed and issued in accordance with the requirements of the Act.

14. The Commission has offered advice and made recommended the trustees to ensure that accounting and administrative procedures are clearly documented.

15. The trustees have provided an undertaking that they will review the charity's sources of funding and its high level of administration costs, with a view that this may assist them to make additional funds available for charitable purposes and reduce the charity's indirect costs. Continued low levels of charitable expenditure may severely damage the charity's reputation.

16. In order to avoid possible governance difficulties, the Commission has recommended that the trustees increase their number.

17. The Commission will monitor the charity's progress in twelve months time.

18. The Inquiry was closed on 18 July 2005.

## Wider lessons

19. Charities that fundraise must ensure that any licensing requirements imposed by law are met.

20. Trustees are responsible for ensuring that they have a clear understanding of the proportion of income being applied in pursuance of charitable objects, excluding indirect costs. It is this information by which the charity will be judged and which will ultimately govern the level of public support.

21. Trustees are responsible for the overall management and administration of the charity. They should ensure that financial controls are not only adequate but provide sufficient information to satisfy the trustees that the controls are being observed.

22. It is the duty of all trustees to take a full and proper part in the administration of a charity.

23. The Commission regularly monitors the accounts of charities with annual income or expenditure in excess of £10,000 and looks into possible causes of concern raised with it by members of the public.