



Charities
Regulatory
Authority
An tÚdarás
Rialála
Carthanas

Pursuant to Section 64 of the Charities Act 2009:

On 16 November 2016 the Charities Regulator appointed inspectors to investigate the affairs of the Charitable Organisation **Ataxia Ireland CLG (Registered Charity Number - 20014469)** and to prepare a report.

Pursuant to Section 66 of the Charities Act 2009:

The Inspectors adhered to fair procedures at all time and drafts of the report were furnished for factual verification to persons in respect of whom there was a possibility of adverse findings.

The Inspectors concluded the investigation of the affairs of **Ataxia Ireland CLG** and made a report to the Charities Regulator. The Charities Regulator considers it appropriate to publish the report.

Charities Regulator's response to Report

The Charities Regulator has accepted the recommendations set out in the report.

The Charities Regulator has:

- Issued the report to the Charity trustees requiring a plan for the implementation of all actions set out in Recommendation one within 21 working days.
- Furnished a copy of the report to Revenue.

The Charities Regulator has advised the Charity Trustees that it will monitor closely the actions taken and support the trustees where required. However, it reserves its right to intervene under section 74 of the Charities Act 2009 should it form the view that the actions are not adequately protecting the Charitable Organisation.

Inspectors' Report

Ataxia Ireland CLG

(Registered Charity Number 20014469)

July 2017



Inspectors' Report

Ataxia Ireland CLG (Registered Charity Number: 20014469)

We have, in accordance with Section 64 of the Charities Act 2009, carried out an investigation into the affairs of Ataxia Ireland.

We hereby submit our report to the Charities Regulatory Authority in accordance with Section 66 of the Act.

Tom Malone
Inspector
Charities Regulatory Authority

Justin Moran
Inspector
Mazars

Dated: 26 July 2017

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1. Background of the Charity

The charity now operated by Ataxia Ireland CLG was originally founded in 1980 as an unincorporated charity (previously Friedrich's Ataxia Society of Ireland (F.A.S.I))¹ to:

- help and support people in Ireland with an ataxia together with their families and carers
- set up and maintain contact with other similar organisations throughout the world and keep members informed of the activities, facilities, and research groups or organisations
- aid in the research, treatment, alleviation and cure of ataxias.

No issue arises as to the charitable objectives of the charity.

In 2011, the charity changed its name to "Ataxia Ireland" to reflect the other forms of ataxia.

Up to mid-June 2015, the charity was governed by a management committee as provided for in the constitution of the charity.

In mid-June 2015, at a meeting of the management committee, a decision was made to dissolve the then committee with all members resigning with immediate effect.

In August 2015, an "interim committee" was established to govern the affairs of the charity. This consisted of six charity trustees as detailed in the committee minutes maintained by the charity. At that time, the committee also proposed the appointment of a new Chairperson, Treasurer and Secretary for the charity. Four of the six charity trustees did not serve on any management committee of the charity prior to August 2015. Two of the six trustees previously served on management committees of the charity at various times up to the early 2000s.

In December 2015, the committee members of the charity agreed, by way of a resolution at the AGM, to convert the charity into a Company Limited by Guarantee, named, "Ataxia Ireland CLG". The Revenue Commissioners approved this transition from an unincorporated association into a company limited by guarantee, for charitable purposes, in mid-2016.

Following this approval, Ataxia Ireland CLG (incorporated on 11 August 2015) took over the employees, assets and management of the charity on 1 July 2016. The legal objects of the newly formed company remained largely consistent with those of the unincorporated body.

At the time of taking over the charity on 1 July 2016, the Board of the CLG consisted of four directors and one company secretary. Three out of the four directors (including the Chairperson) did not serve as either trustees or staff of Ataxia Ireland prior to July 2016. The role of company secretary was initially undertaken by the Chief Executive Officer of the charity. The role of the company secretary is now undertaken by a third party agent.

¹ Previous Registered Charity Number 20077396

The latest audited accounts for Ataxia Ireland reviewed by the inspectors relate to the unincorporated entity for the year ended 31 December 2015. The accounts were received by the inspectors on 10 May 2017. The charity reported a surplus of €52,744 for the year ended 31 December 2015 (2014: deficit of €61,490) and net assets of €336,482 as at 31 December 2015 (2014: €283,738). While the financial statements do not disclose the number of employees, we understand that the charity now employs one full time CEO (who has held the position since 2005), one full time staff member and two part time staff members. In the period 2014 – 2015, the income of the charity was principally derived from HSE grant funding, a Department of Justice and Equality lotteries grant, fundraising activities and members' contributions.

The charity stated that the Board of the newly incorporated entity are non-executive, carry out their functions in an entirely voluntary capacity and receive no remuneration, save for properly vouched and necessarily incurred expenses.

The inspectors understand that the charity submitted the opening set of accounts for the year ended 31 December 2016 (Ataxia Ireland CLG) to the Charities Regulatory Authority on 17 July 2017.

The charity's details can be viewed on the public Register of Charities www.charitiesregulatoryauthority.ie.

2. Background and Approach to the Investigation

In the period June to October 2016, the Charities Regulatory Authority received concerns in respect of the charity. The compliance unit of the Charities Regulatory Authority thereafter conducted preliminary inquiries, which included reviewing charity information and documentation and meeting with the charity CEO and Chairman.

On 16 November 2016, the Charities Regulatory Authority appointed two inspectors, pursuant to section 64 of the Charities Act 2009, in order to investigate the affairs of the charity and to prepare a report thereon.

On 21 November 2016, a formal request was issued to the charity under section 65(1) (a) of the Act to provide detailed information.

The inspectors conducted interviews on oath under section 65(4) of the Act, which included interviews with trustees of the charity (who had served as trustees in the period from January 2014 to June 2015) and the charity's CEO. Written submissions were also sought and received from some trustees of the charity. Drafts of the report (or extracts as appropriate) were furnished to persons in respect of whom there was a possibility of any adverse findings. The inspectors have considered all information and submissions provided to them.

The charity, and those interviewed, co-operated with the inspectors during the course of the investigation.

The investigation findings and conclusions are set out in Section 3 and relate solely to the following matters:

- i) Payments made by the charity to former trustees, which were contrary to the stated position of Revenue (see Section 3.1)
- ii) Issues of transparency and disclosure in respect of payments made to former charity trustees (see Section 3.2)
- iii) Weaknesses in governance arrangements, including financial management and control (See Section 3.3)
- iv) Weaknesses in internal controls over travel and expenses, credit card expenditure and petty cash (See Section 3.4)
- v) Other weaknesses in charity governance (See Section 3.5).

Due to the nature of the findings and conclusions, the inspectors have set out specific recommendations to the Charities Regulatory Authority. This includes a series of recommendations (Section 4) for the Charities Regulatory Authority to seek specific undertakings from the Board of Ataxia Ireland CLG to address the findings of the investigation.

3. Investigation Findings and Conclusions

3.1 Remuneration payments made to former trustees contrary to Revenue's stated position via correspondence with the charity i.e. "the only payment that is acceptable is the repayment of out of pocket expenses to Officers/Directors/Trustees".

The inspectors found the following matters:

- (i) Payments, which did not relate to out of pocket expenses, were made to the two founding former charity trustees ("founding trustees") notwithstanding correspondence from the Charity Section of the Revenue Commissioners ("Revenue"). The inspectors confirmed that during the period from January 2008 to April 2016 payments totalling €84,009 were made to the trustees concerned². The two founding trustees (husband and wife) were the original founding members of the charity. On 6 March 2006, Revenue wrote to the charity stating that *"it has been a general principle of charity law that, other than reasonable out of pocket expenses, an officer should carry out his or her duties as an officer gratuitously.....the reason for this prohibition is to ensure that no conflicts of interests can arise....."*. In its letter of 6 March 2006, Revenue stated that *"the only payment that is acceptable is the repayment of out of pocket expenses to Officers/Directors/Trustees"*. The letter was addressed to one of the two founding trustees who was in receipt of payments from the charity at that time. The letter was specifically in respect of payments made, at that time, to their daughter who was also a trustee and was in receipt of remuneration in her capacity as CEO. While the inspectors noted that the CEO subsequently resigned in her capacity as a trustee in line with the Revenue correspondence, the two founding trustees continued to serve as trustees and receive remuneration.

On 26 April 2006, one of the then charity trustees who was in receipt of payments from the charity, responded to Revenue on behalf of the charity and confirmed that three new trustees had been appointed who were volunteers and were not receiving remuneration. He did not, however, advise Revenue that he and his wife, were in receipt of payments which did not qualify as out of pocket expenses. As noted above, the two founding trustees also continued to serve as trustees. The founding trustees were unable to provide any evidence of specific correspondence to Revenue detailing the payments made to them, which did not qualify as out of pocket expenses. The two founding trustees concerned continued to serve as trustees until June 2015 (when they resigned as trustees) and received payments up until March 2015 in one case and April 2016 in the other.

² Based on tax records held and made available by the charity.

- (ii) The inspectors were informed by the founding trustee who corresponded with Revenue on 26 April 2006 that the payments to him, amounting to approx. €600 per month from 2012, had commenced in 2005 for an unidentified lesser amount. They were stated to be made *"in respect of administrative work, organising events, meet with members and families, meetings with the HSE etc."*. The founding trustee asserted that he provided part time office work services since the charity commenced in 1980. The payments ceased in March 2015 and the trustee remained on the committee until June 2015 when all the committee members resigned. He submitted that the commencement of payments in 2005 were approved by the then members of the committee. Nothing has been submitted to us to evidence actual approvals (minuted or otherwise) by any member or committee, for the founding trustee's employment, his terms and conditions, or, for the subsequent increase in the amount of the payment. The inspectors also found that the minutes of management committee meetings did not make any reference to any resignation by the individual in any other capacity, including as an employee, in or around March 2015 or at any other time.
- (iii) The inspectors were informed by the second founding trustee that the payments to her amounted to approx. €330 per month from 2012 and commenced in 1993 (for an unspecified lesser amount), and were stated to be made in respect of performing the role of *"office manager / liaison officer"*. The founding trustee stated that the payment was authorised by a previous Chairperson of the then committee in 1993, and that all income was treated in the normal way for Revenue purposes. The trustee stated that she served on various management committees from 1980 until June 2015 when the entire management committee resigned. It is accepted by the founding trustee that payments continued until April 2016. Nothing has been submitted to us to evidence actual approvals (minuted or otherwise) by any member or committee, regarding the founding trustee's employment, her terms and conditions, or the subsequent increases to the payments made to her by the charity, most recently in 2012. A note was provided from the person whom it is asserted approved the employment and payments to this trustee, but the note only refers to being aware that there was a nominal amount per month being paid to compensate for the charitable work she was doing. The inspectors also found that the minutes of management committee meetings did not make any reference to any resignation by the individual in any other capacity, including as an employee.
- (iv) The two founding trustees submitted that the Ataxia condition impacted members of their own family and outlined to the inspectors that they set up an initial support group for those affected by *"Friedrich's Ataxia"* in 1980. They also highlighted that the charity was originally set up from their family home before moving to the current offices of the charity in 2011. The charity, the founding trustees and the CEO contend that the payments were in respect of their employment by the charity (albeit while

also being trustees of the charity). The founding trustees concerned submitted that they provided services, that the payments were not made in respect of their capacity as charity trustees, were verbally approved by a previous management committee and also advised that all income received was treated in the normal way for Revenue purposes.

- (v) While the inspectors acknowledge that the payments to the two founding trustees in the period from 2008 – April 2016 were posted to wages and salaries in the charity accounts and were processed via the charity payroll, the inspectors found that there was no evidence of written contracts of employment, no evidence of job descriptions and no other detailed records to evidence the nature of the employment or actual employment-related activities undertaken by the founding trustees on behalf of the charity. The inspectors noted that in the same period the charity had employment contracts and job descriptions in place, at various times, for other staff members in receipt of remuneration payments.
- (vi) In 2014, the CEO sought advice from Revenue on whether another trustee (not one of the founding trustees) could remain on as a member of the management committee while also being a paid employee. The inspectors noted that the CEO advised the management committee that the trustee in question should no longer remain on the management committee while also being a paid employee of the charity. On this basis, the trustee (who was not related to the CEO or her parents) subsequently resigned from the management committee. No evidence was submitted to the inspectors that the CEO advised the management committee in respect of the payments being made by the charity to the two founding trustees at this time (or subsequently when the interim management committee was in place). Additionally, no evidence has been submitted that the founding trustee who corresponded with Revenue in 2006 on the issue of trustees receiving payments from a charity, raised what he had been told by Revenue on the matter in 2006 with the management committee. The CEO has confirmed that she had full knowledge of the payments being made to her parents, the two founding trustees. One of the founding trustees also asserts that the CEO was a member of the committee in 2005 that approved the commencement of payments to him. The CEO continued to operate in her role in the full knowledge that that the charity, by making payments to her parents, the founding trustees, was not operating in accordance with Revenue's stated position on the remuneration of trustees.
- (vii) As part of a series of changes to the new company constitution, the inspectors noted that Revenue wrote to the charity in January 2016 to request the removal of a clause within the proposed constitution of Ataxia Ireland CLG (dated 11 August 2015) which stated "*the remuneration of the directors of the company shall be such as is determined, from time to time, by the company in general meeting*". The inspectors noted that the CEO was company secretary of the CLG at the time that the draft

constitution was submitted to Revenue, had advised the charity's management committee in 2014 of Revenue's position that a member of the committee could not be in paid employment with the charity while serving on the committee, and therefore had prior knowledge of Revenue's position on the matter. Despite this, a draft constitution for the CLG was submitted to Revenue which included a clause providing for the remuneration of directors of the company. The proposed clause was removed by the charity following the specific request made by Revenue in January 2016.

Conclusion(s):

The payments made to the two founding former charity trustees were contrary to Revenue's stated position in respect of trustee remuneration. Correspondence received by the charity from the Charity Section of the Revenue Commissioners stated that "the only payment that is acceptable is the repayment of out of pocket expenses to Officers/Directors/Trustees". Despite this correspondence, the founding trustees continued to operate as trustees, while also being remunerated. Consequently, the inspectors question the appropriateness of the payments and whether the founding trustees met their trustee obligations – to act in the best interests of the charity – by continuing to receive the payments, contrary to Revenue's stated position on trustee remuneration.

Neither the founding trustees, the charity nor the CEO were able to provide adequate evidence to demonstrate that payments made to the founding trustees related to "out of pocket expenses". Indeed, the founding trustees, the charity and CEO all contend that the payments were principally made in respect of the founding members' employment status. The inspectors are not convinced that the nature of the charitable activities performed by the founding trustees evidences employee services by them, in particular, in the period from 2011 to April 2016, when:

- the charity had a full time CEO
- the charity had employed other staff members, including a liaison officer, fundraising staff and administration staff within this period to perform the tasks outlined by the two founding trustees as being the tasks for which they were remunerated by the charity
- the charity was no longer being run from the home of the two founding trustees
- written contracts of employment and defined job descriptions existed in respect of the charity's other employees

As the CEO did not inform the persons who served as charity trustees with her parents in the period January 2014 to June 2015 – (a) of the existence of the payments to her parents, the founding trustees, (b) how the payments were in conflict with Revenue's stated position on the remuneration of trustees, or (c) bring the matter to Revenue's attention, the inspectors are not satisfied that the CEO's actions, in respect of the payments, were adequate to safeguard the interests of the charity.

3.2 Issues of transparency and disclosure in respect of payments made to the founding charity trustees of Ataxia Ireland in the period from January 2014 to June 2015

In considering the question of transparency and the responsibility of other trustees, the inspectors considered the state of knowledge and the information that was available to them in the period from January 2014 to June 2015, which coincided with the resignation of the entire management committee of the charity.

The inspectors found the following:

- (i) The resignation of the entire management committee, on 15 June 2015, coincided with the timing of questioning by the management committee of the payments made by the charity to the two founding charity trustees. Under the heading of *"Consideration of Draft 2014 Annual Accounts for Ataxia Ireland"* the minutes, presented by the charity as the official record of the meeting, outlined that the *"discussion moved on to the issue of transparency"*. One of the committee members referred *"to the manner in which Committee members had become aware (through the auditors) of regular payments over many years under the heading of salaries"* to the two founding trustee members and said that *"this had been a surprise to the members concerned"*. One of the management committee members (i.e. the Treasurer) became aware of the existence of the payments in April 2015 following inquiry with the charity's external auditor.
- (ii) Under the heading of *"Dissolution of Committee"*, one of the founding trustees who was in receipt of the payments *"defended the payments which were made to him over many years....."*. Two of the committee members who were present at the meeting stated that *"it was not appropriate that Committee members were not aware of the payments."* The minutes then note that one of the founding trustees who was in receipt of the payments *"suggested that the Committee be dissolved and that all its members resign with immediate effect"*. While the inspectors acknowledge that there were other difficulties being experienced within the charity, which were subject to a mediation process, the inspectors are satisfied that the discovery of the payments by the management committee members (i.e. those members present from January 2014 to June 2015) was a significant factor which contributed to the resignation of the entire management committee in June 2015.
- (iii) Eight out of nine former charity trustees who served alongside the two former founding charity trustees on the management committee, in the period from January 2014 to June 2015, were not aware of any payments being made to the former charity trustees in respect of any employment duties. The one former member of the committee who was aware of the payments confirmed that it was based upon their own inquiry with the charity's previous external accountant.

(iv) The two founding trustees, the CEO and the members of the Board of the CLG have provided testimonials from some former committee members, who served in the period prior to January 2014, some of which admit to some personal knowledge of payments being made to the founding trustees. None evidence the giving of any approval or being part of any approval process. The testimonials describe the payments variously as a "relatively small amount", "small salaries" and a "nominal amount per month". The submissions also include the follow commentary and observations in respect of the role the founding trustees played within the charity:

- *"Their personal input into the charity has been enormous"*
- *"They devoted themselves selflessly to the charity and they provided support to the charity members and their families day and night"*
- *"They provided 24/7, 20 years plus social support system to Ataxia sufferers and their family members from the living room of their family home. They, on a daily basis, fielded distressed phone calls, called to families and advocated on behalf of members."*
- *"They have made an enormous contribution to the quality of life of the Ataxia Ireland membership."*
- *"They dedicated their lives to the charity and always made themselves and their home available to the members."*

While the inspectors note the contents of testimonials received, none of these former committee members served as committee members in the period January 2014 to June 2015.

v) The two founding trustees and the CEO have submitted that all committee members from 1993 to 2015 were aware of the individual payments from the financial statements of the charity as the accounts set out these payments and were always signed by two trustees. They submit that all members of each management committee must therefore have known of the payments, or could have asked.

The inspectors note that the 2014 (and subsequently 2015) financial statements do not disclose, in any way, details of payments to trustees, which would be considered to be in line with recommended best practice i.e. that "trustee remuneration or other benefits should always be regarded as material" and the recommendation that all charities disclose in the notes to the accounts whether any trustees have been paid any remuneration³. The inspectors note that the trustees have primary responsibility for the preparation of the financial statements and found that the trustees (present in 2014 to mid-2015) were not in a position to make an informed decision in respect

³ Charity Statement of Recommended Practice and Financial Reporting Standard no. 8 (FRS8)

any such disclosure requirements owing to the absence of disclosure of the payments by the two founding trustees and the CEO. In the context of considering whether the trustees "could have asked", the inspectors found an overall weakness in the financial governance of the charity, which is detailed further at Section 3.3.

- (vi) When Revenue sought clarification from the charity, in January 2016, for the reasons for the resignation of up to 11 management committee members in the period to June 2015, the charity's response included the following "*many of those committee members had been serving as such for almost 30 years, and at this stage, are quite elderly. It is presumably for this reason that older committee members resigned.*" The inspectors are of the view that this correspondence, signed by the CEO, was not a full disclosure of all pertinent facts in response to the clarification sought by Revenue.

Conclusion(s):

The two founding trustees did not disclose details of any payments received, which did not qualify as out of pocket expenses, to the wider management committee that served between January 2014 and mid-2015.

The inspectors were not provided with any evidence of any management committee approval for the payments made to the founding trustees in respect of any employment or service related duties.

There was no credible evidence to dispute the submission by all other committee members, that served in the period 2014 to June 2015, that they were not aware of the payments made to the founding trustees.

The two founding trustees and the CEO, given her knowledge of the payments and her role within the charity, failed to assist the management committee in discharging their duty to consider the disclosure of any such payments within the financial statements.

The absence of the disclosure of the payments to the founding trustees within the financial statements inhibited the ability of any potential users of the financial statements (including funders or members of the charity at the AGM) to have knowledge of the existence of any actual payments to trustees or to understand the nature or value of them.

3.3 Weaknesses in financial governance, including financial management and control

The inspectors found the following matters:

- (i) In the period from 2014 to mid-2015, the agenda and minutes of the management committee meetings did not include any evidence of an adequate level of review of the financial performance or the financial position of the charity. Management accounts were not prepared or presented to the management committee in the period from 2014 to mid-2015. Financial budgets were not prepared or presented to the management committee in the period 2014 to the end of 2016. The inspectors noted that members of the management committee did make requests for the receipt of regular financial reporting in 2014, however, such requests were not acted upon by the trustees or management of the charity. The inspectors noted that the charity did not have adequate induction processes in place for new committee member appointments (including officer roles). Incoming trustees should be in a position to perform reasonable and adequate levels of inquiry into financial matters upon appointment. The Board of Ataxia Ireland CLG have submitted that the charity has now established suitable processes for monitoring the financial activities of the charity.
- (ii) Prior to the appointment of inspectors, the charity notified the Charities Regulatory Authority that employee pension contributions for the CEO and one other member of staff were not deducted from their salaries but were nevertheless paid by the charity directly into the pension fund on behalf of the two staff members, thereby providing double benefit. At the time of commencing the investigation, only two staff members, i.e. the CEO and the other staff member, had an entitlement to the pension arrangement. In the case of the CEO, from July 2010, the charity paid €6,000 per annum into the pension instead of the CEO bearing the cost of the relevant payment as a deduction from her salary. In the case of the other staff member, the amount involved the payment by the charity of €300 per annum dating back to 2014. The inspectors noted that the error was visible from the P35s prepared and submitted by the charity and was also included within details contained on the individual employee payslips maintained and provided by the charity. The inspectors further noted that the incorrect pension payments were also continued following the establishment of the CLG. The charity commented that the payments were identified by the outsourced accountant⁴ in October 2016 and were made in "genuine error". The charity confirmed that, since December 2016, the correct pension payment are now being made by the charity. The inspectors found the error was further evidence of the

⁴ Third party outsourced accountant engaged by the charity in June 2015

fundamental weaknesses in financial governance and control operated at both trustee and management levels.

At the conclusion of the investigation, the charity advised that it had sought detailed proposals, and had written to the CEO about the repayment of the charitable funds totalling approx. €38,500. It advised that the debt was recorded in the accounts for 2015. The charity advised that the other staff member had reimbursed the charity in full (totalling approx. €900). There was an absence of any disclosure of staff pension costs in the 2014 or 2015 audited financial statements.

- (iii) The charity made the decision to cease its lottery activities in September 2016. The charity advised that, in July 2016, the Board began a review of all fundraising activities and made a decision to temporarily suspend the lottery with a view to revisiting it as part of the charity's overall fundraising strategy. Prior to this, the charity made payments to its lottery agent in respect of the selling of scratch cards. The inspectors noted that an amount of approximately €36,300 was paid in such fees in 2014. The charity was unable to provide evidence of any written contractual agreement to confirm the exact nature and basis of the payments made.

Conclusion(s):

There was a fundamental weakness in the financial management and control of the charity in the period 2014 to mid-June 2015. In this period, the management committee and the CEO did not establish and implement proper accountability and responsibility for the preparation and presentation of detailed financial information relevant to the charity's affairs. Furthermore, the charity did not establish suitable induction processes to adequately inform management committee members of all pertinent financial matters upon appointment.

The significant error in pension arrangements, which resulted in the charity paying both employee and employer pension contributions on behalf of the CEO and another staff member, was further evidence of overall weaknesses in financial management at both management committee and management level. The inspectors noted with concern, that the error continued through to the transition to the new CLG, was not identified until October 2016 and only ceased in December 2016.

The 2014 and 2015 financial statements, which are ultimately the responsibility of the trustees, did not disclose staff pension arrangements (inconsistent with recommended best practice guidance⁵). The absence of such disclosure inhibited the ability of any potential users of the financial statements (including funders or members of the charity at an AGM) to have knowledge of the existence of pension arrangements or to understand the nature and value of any other benefits being paid to charity management and staff.

⁵ Including Charity Statement of Recommended Practice

3.4 Weaknesses in internal controls over travel and expenses, credit card expenditure and petty cash.

The inspectors found the following matters:

- (i) In the period from January 2014 to October 2016, a total amount of approximately €9,900 was reimbursed to the CEO by way of expense claims submitted. While the inspectors' analysis of the CEO's expense claims (including mileage, taxis, meals and beverages) did find that the majority of expenditure was vouched, there was an absence of consistent recording of underlying details to fully assess the reasonableness, nature and purpose of the actual expenditure incurred. For example, there was an absence of recording of complete journey details, purpose of meeting(s), purpose of taxis, names of those in attendance etc. The inspectors noted that approximately 80% of the total expense claims in this period related to mileage with the balance comprising meals and refreshments (7%), taxis (6%), Luas, tolls and parking (5%) and other (2%).
- (ii) Just under half of the CEO's expense claims (€4,600) were not subject to independent, formal review and approval by the charity's trustees in the period from January 2014 to March 2015. In the subsequent period, where expense claims were subject to independent review by the management committee or Board, the inspectors found weaknesses in this process, whereby expense claims were approved without any documented travel and subsistence policy in place and the expense claims were approved despite the absence of sufficient underlying detail regarding the nature of the actual activities performed.
- (iii) Additional expenses incurred by way of credit card, which was principally used by the CEO, were not subject to independent formal analysis by management or review by the charity trustees. The total amount of expenditure incurred by way of credit card in the period 2014 to 2016 amounted to approximately €10,380 per annum. Outside of approved expenditure for flights undertaken by members of the management committee and staff, the inspectors found an unusual pattern and diversity of credit card expenditure including purchases of alcohol, local supermarket based purchases of food and supplies, purchases of vouchers, mobile phone costs and other purchases of supplies, including purchases of newspapers. In many instances, the charity subsequently explained that the expenditure related to "meetings", pre or post "fundraising events" or "social activities for members".
- (iv) In the period from 2014 – 2016, the inspectors did not identify issues of concern in respect of travel expenses incurred by charity trustees or Board members in the performance of their duties, which were adequately evidenced as necessarily incurred.

- (v) The charity did not have a documented and approved travel and subsistence policy, including details on what the charity considers as eligible expenditure, associated limits or the process of recording and submitting claims.
- (vi) The purchase of hospitality and gifts amounting to approx. €1,538 incurred in December 2015. This included a €500 gift voucher for the CEO, a €250 gift voucher for each of two staff members and other gifts and hospitality (€538) for staff, nurses and other service providers. While the inspectors noted email correspondence noting interim committee approval, the charity did not operate a formal documented policy in the area of hospitality expenses, including when attending meetings and considering the purchase of any gifts.
- (vii) While the inspectors noted governance level approval for foreign travel to international conferences (including the use of business class travel on one occasion), the investigation found that the approval was not informed by any estimates of the total cost of travel and subsistence to attend such conference events or a prior business case setting out the benefits to the charity. The events were held in the US, UK and mainland Europe.
- (viii) Relatively high levels of petty cash withdrawals amounting to approx. €3,100 took place in 2014. This included cash withdrawals for foreign travel, expenditure on postage, mobile phone top ups, office supplies, activities for members, diesel, taxis, parking, lunch and other miscellaneous expenditure. The inspectors found that there was an absence of a petty cash policy and that petty cash records were not fully reconciled for the period 2015 - 2016. In 2016, this included unreconciled records in relation to an amount of \$500 withdrawn from petty cash for the purpose of foreign travel.
- (ix) The charity was unable to provide an up to date, comprehensive fixed asset register for the period to the end of 2016. The last one available was for 2013. The inspectors noted that one of the charity's assets, which is intended to provide transport for members, is not located at the charity premises. The charity advised that the vehicle is parked at the home of the founding trustees due to security concerns at the charity premises and the charity advised that the vehicle is available for use by its members.
- (x) The charity had no suitably documented internal control policies and procedures in place. This was the case specifically in the areas of delegated authorities, management committee oversight (including financial reporting), budgeting process, income management, fundraising, lottery management, purchasing, fixed assets, bank account management, payroll expenditure and travel and subsistence costs.
- (xi) There was a practice of charity trustees signing blank cheques, which the charity trustees (who signed the blank cheques) and CEO explained was owing to the potential

unavailability of persons to sign when required. The investigation found this practice to be highly unusual and unacceptable in the context of any financial control environment. The inspectors note that the Board of the charity has directed that the practice regarding the signing of blank cheques be ceased.

- (xii) An overall absence of proper budgeting or financial planning applied to the management of expenditure incurred by way of expense claims, use of credit card and the use of petty cash.

Conclusion(s):

The charity did not implement adequate internal financial controls in the evaluation, management and monitoring of the following areas:

- travel and subsistence (including foreign travel)
- credit card expenditure
- petty cash
- cheque signing (existence of signed blank cheques)
- fixed asset use i.e. charity van.

Such weaknesses create significant financial and reputational risk to the charity.

3.5 Other weaknesses in charity governance

The inspectors found the following matters:

- (i) The charity did not have a formal, documented work plan in place setting out objectives, timelines, targets or associated budget(s). Additionally, the inspectors found that the financial statements of the charity in 2014 and 2015 did not provide any additional commentary in respect of the actual activities of the charity. The scope of the investigation was therefore limited in its ability to form a view in respect of how charity funds were actually being applied, including the basis for the level of expenditure being incurred on direct versus indirect charitable activities.
- (ii) While the management committee did formally note their approval of the hiring and/or termination of personnel within the period 2014 and 2015, in certain instances, this was noted after the fact.
- (iii) In the context of actual payroll salary costs incurred by the charity, the investigation found that the charity was unable to provide evidence of suitable competitive processes or salary benchmarking being performed for the roles of the CEO or a previous part time fundraising role with the charity. In the latter instance, a member of the then management committee was appointed to this position in 2014 and this was simply notified to the wider management committee subsequent to the date of actual appointment.
- (iv) The charity did not set formal objectives for the CEO and/or perform a documented appraisal of the CEO's performance. Further, the relationship of the CEO to the founding trustees should have prompted independent and objective oversight processes.

Conclusion(s):

The charity does not fully operate in accordance with governance best practice. The inspectors found weaknesses in the following areas:

- absence of formally documented organisational objectives and plans, including details on the level of activities and expenditure to directly benefit members;
- absence of suitable competitive processes being performed for senior roles; and
- absence of formal monitoring and oversight of the role and performance of the CEO.

4. Recommendations

Based on the report's findings and conclusions, the inspectors make the following recommendations to the Charities Regulatory Authority:

1. In order to address the overall deficiencies in the direction and management of the charity's affairs, the Charities Regulatory Authority should obtain undertakings from the charity for the implementation of the following set of actions within an agreed timeframe:
 - a) The Charity should determine whether the payments made to the two founding trustees are recoverable.
 - b) Implement formal monitoring and reporting arrangements in respect of the role of the CEO, including:
 - obtaining regular reporting from the CEO to ensure that the Board is fully informed in respect of all relevant matters
 - setting performance objectives for the CEO
 - reviewing the performance of the CEO on a regular basis.
 - c) Agree and implement a formal arrangement with the CEO to recover the pension overpayment.
 - d) Implement existing plans communicated by the charity to strengthen the governance framework including in the areas of conflict of interests, Board induction, Board policies and procedures, skills mix and overall Board effectiveness and to fully implement SORP financial reporting.
 - e) Develop, document and implement internal control policies and procedures to address the findings and conclusions noted within this report. This includes:
 - i) Immediately ceasing the practice of signing blank cheques.
 - ii) Developing and adopting a specific policy in respect of any payments to trustees, which should be fully aligned with published guidance and conditions of charitable status.
 - iii) Developing and adopting a comprehensive travel and subsistence policy in line with existing sector norms. The Board should also document the procedures for formal approval and subsequent detailed review of actual expenditure incurred.
 - iv) Setting clear and immediate limits and guidelines in respect of lunch and meal allowances.
 - v) Strictly limiting or eliminating the purchase of any gifts or hospitality.
 - vi) Fully reconciling petty cash records with adequate explanations obtained by the Board for any variances or amounts which remain unaccounted for. The charity should implement an immediate policy in respect of petty cash which either eliminates the unacceptable use and levels of petty cash being incurred or reduces the level of withdrawals to minimal amounts.

- vii) Developing and documenting a credit card policy with a view to reducing the overall level of spend in line with budgetary requirements. This includes a reduction in the level of expenditure on meals, office supplies and other expenditure, which should be controlled via purchasing based systems. The credit card policy should specify the exact areas of authorised expenditure and the limits on items of spend (consistent with the travel and subsistence policy).
 - viii) Ensuring expenditure wholly and necessarily incurred by management and staff in the performance of their duties is reimbursed by way of an expense claim form procedure, which fully adheres to Revenue guidelines.
 - ix) Documenting processes for delegated authorities, budgeting, income management, fundraising, lottery management, purchasing to payment, fixed asset accounting and safeguarding, bank account management, payroll expenditure and financial reporting.
- f) Ensure that all charity assets are secured and controlled by the charity for its use, including the appropriate storage and use of the charity van.
 - g) Develop, document and implement a formal work plan for the charity which sets out the charity's objectives, activities, timelines and targets. The work plan should be supported by an adequate management structure and management personnel.
 - h) Perform suitable benchmarking of all costs (including management salaries, travel, mileage and subsistence costs) to ensure that such costs are strictly controlled and are in line with the budgeted activities of the charity and sector trends.
 - i) Ensure that the future financial statements are prepared by the trustees (who have primary responsibility) in accordance with best practice financial reporting requirements, including disclosure requirements. The charity's accounts should fully disclose any related party transactions and details of staff pension costs.
 - j) Develop, document and implement suitable procedures for the recruitment of senior roles.
 - k) Review all existing and planned expenditure to ensure that all such items are underpinned by value for money principles, including obtaining a minimum number of competitive quotations and suitably documented contracts. This includes any activities (planned or otherwise) in respect of fundraising, lottery activities, professional service fees or any other major costs incurred by the charity.

The inspectors note that during the course of the investigation the Board has already indicated its willingness to address the recommendations contained in the report.

2. The Charities Regulator should consider furnishing a copy of this report to the Revenue Commissioners' Charity Section.