Section 66 Inspectors' report

G.L.E.N
Company Limited by Guarantee
(Registered Number 20060404)

April 2018

Inspectors’ Report

G.L.E.N (Registered Charity Number: 20060404)

We have, in accordance with the provisions of Section 64 of the Charites Act 2009 carried out an investigation into the affairs of G.L.E.N (“GLEN”).

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

Signed:

Justin Moran
Inspector
Mazars

Corné Mouton
Inspector
Mazars

Dated: 20 April 2018

Table of contents

1. Charity background

G.L.E.N ("the Charity") was originally founded in 1988 and became a company limited by guarantee in 2005. The Charity was established to achieve the following primary objectives:

- To work for and promote the welfare of Lesbian, Gay and Bisexual (LGB) people including relief from all forms of inequality and discrimination, direct and indirect - and relief from exclusion, deprivation and associated poverty.
- To promote the advancement of education and the extension of knowledge for the public benefit, in matters related to the rights of LGB people to equality and relief from discrimination and exclusion.

The Charity has subsidiary objectives that are secondary to the primary objectives as follows:

- To establish initiatives in research and communications on the needs of LGB people.
- To work for and promote all forms of health awareness and well-being among LGB people through research, disseminating information, facilitating education, and specific interventions.
- To promote and facilitate the growth of community spirit and community structures among LGB people through information, education and support.
- To seek that sexual orientation is addressed properly within formative and critical settings such as in educational establishments and in health services – so that LGB people are not subjected to exclusion, inequalities or discrimination, either direct or indirect.
- To keep the government and other social partners informed of the needs of LGB people, and on occasions, organise interventions aimed at influencing policy or delivering changed.

The Charity's details can be viewed on the public Register of Charities http://www.charitiesregulator.ie/en/CRA/Charity/B9109101B4184A178025800B003B1960

The latest audited accounts for the Charity relate to the year end 31 December 2015. The Charity reported a deficit of €91,961 for the year ended 31 December 2015 (2014: €71,406) and net assets of €224,873 as at 31 December 2015 (2014: €316,834). During 2015, the average number of employees was 8 (2014: 9), which included one employee who worked as an "Executive Director" but was not a member of the Board.

In the period 2014 – 2016, approximately 60% of the Charity's income derived from state funding and the remaining 40% derived from fundraising, sponsorship and donations.

Following a series of events, the Charity's trustees announced their intention to perform an orderly wind down of the Charity in May 2017. At the time of reporting, the inspectors understand that the orderly wind down is in progress, including the transfer of services and any returns to funders (where applicable).

2. Background and approach to the investigation

In the period January to March 2017, the Charities Regulatory Authority was contacted by the Charity's Executive Director (who commenced employment in October 2016) in respect of potential concerns with the governance of the Charity. The initial contact received from the Executive Director was approved by the Board of the Charity.

In April 2017, the Charities Regulatory Authority issued a direction under section 53 requesting that specific documents be supplied within 21 days, which the Charity complied with. The compliance unit of the Charities Regulatory Authority thereafter conducted preliminary inquiries, which included reviewing Charity information and reports prepared by independent consultants, who were appointed by the Charity to review the Charity's finances and to perform a review of the organisation.

On 24 May 2017, the Charities Regulatory Authority appointed two Inspectors from Mazars, Corné Mouton and Justin Moran, pursuant to section 64 of the Charities Act 2009 ("the Act"), in order to investigate the affairs of the Charity and to prepare a report thereon.

On 14 June 2017, 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, the former Executive Director (who was employed by the Charity between December 2007 and October 2016 and is hereafter referred to as "Executive Director A") and certain members of staff. Assistance was also provided by the Executive Director who was in place from October 2016 to April 2017 (hereafter referred to as "Executive Director B") and the Charity's external auditor and a written submission was also sought and received from one former employee of the Charity.

Draft reports were furnished to persons in respect of whom there was a possibility of any adverse findings and for the purpose of factual accuracy verification. The inspectors adhered to fair procedures during the course of the investigation and considered all information and submissions provided to them. The Charity, and those interviewed, fully co-operated with the inspectors during the course of the investigation.

The investigation findings and conclusions are set out in Section 3. They relate to matters brought to the attention of the Charities Regulatory Authority, are not intended to make any comment in respect of any previous general work and purpose of the Charity, and relate solely to the following matters:

i) Charitable funds used to support the individual political campaign of the original founder and former Co-Chair (Section 3.1)
ii) Inadequate and inappropriate controls applied to the use of Charity credit cards, including personal expenditure and cash withdrawals (Section 3.2)
iii) Absence of formal agreements in place between GLEN and other third parties in respect of expenditure incurred or sums advanced (Section 3.3)
iv) Other observations in respect of Charity financial governance and controls (Section 3.4)

Due to the nature of the findings and conclusions, the Inspectors have set out specific recommendations to the Charities Regulatory Authority (Section 4).

3. Investigation findings and conclusions

3.1 Charitable funds used to support the individual political campaign of the original founder and former co-Chair

The inspectors found the following matters:

(i) In the period from March to May 2016, a total amount of €10,738.98 was paid out of GLEN charitable funds for the purpose of the Seanad campaign of the founding member and former Co-Chair of GLEN ("former co-Chair"). The expenditure included items such as a laptop, mobile phone, venue hire, photography, campaign team and advertising. Based upon interview, the former co-Chair explained that he was late commencing his campaign, which he explained required a separate bank account to be set up for the purpose of the campaign. The former co-Chair explained that there was a *"verbal agreement"* with Executive Director A to use GLEN funds for the purpose of his campaign. Executive Director A explained that "the aim" of supporting the co-Chair was to provide a *"short term convenient facility"* due to most of the suppliers also being active GLEN suppliers. On 10 May 2016, an amount of €10,738.98 was invoiced by the Charity for the purpose of re-imbursement by the co-Chair. On 7 July 2016, the invoice was re-paid by the co-Chair.

(ii) The former Co-Chair did not advise the Board of the campaign transactions funded by GLEN until it was disclosed by Executive Director B. The Board members advised that they became aware of the campaign expenditure in December 2016[1], when the newly appointed Executive Director, Executive Director B, reported the matter to the Board at the December board meeting. Upon notification at this Board meeting, the Charity minutes state that the *"[former co-Chair] explained that he used an office in GLEN to run his Senate campaign on a commercial basis and paid for the use of the office and services that GLEN provided to him. This was thought to be a good idea at the time but perhaps with hindsight it was not."*

(iii) Both the Charity administrator (who was responsible for performing day to day duties and reported to the Executive Director) and Executive Director A both confirmed their knowledge of the expenditure being incurred in respect of the Seanad campaign. The administrator commented that she was requested by Executive Director A to keep track of the invoices coming in to the Charity in respect of the campaign. During interview, Executive Director A explained that he viewed the Seanad campaign as furthering GLEN's objectives, his belief that there was no deliberate attempt to *"mask transactions"* in the accounts and he also commented that there was no personal financial gain arising from the use of the charitable funds for the purpose of the campaign. Executive Director A advised that he had no recollection of *"formally"* telling the Board and *"in hindsight"*, he *"would have notified others"* on the Board. The inspectors noted that there was evidence of clear recording and posting of all such expenditure by the

[1] GLEN Board CEO report Dec 13 2016 (which is dated in error as November 15, 2016)

administrator and documented approval by Executive Director A, including specific reference to the former co-Chair on invoices or payment transfers. All other staff interviewed as part of the investigation confirmed that they were not aware of any GLEN funds being used for the purpose of the Seanad campaign.

(iv) Based upon interviews, all other Board members of GLEN confirmed that they did not authorise, nor did they have knowledge of, the expenditure on the political campaign. Indeed, the Board members also commented that they would not have authorised the use of charitable funds for the purpose of this campaign had they been aware or requested to do so. In the period March to October 2016, the inspectors noted that the financial reporting information provided by Executive Director A to the Board did not include any specific details in respect of the expenditure on the political campaign. The transactions were posted to an "other debtor" account, contained within the balance sheet, which was not presented to the Board in this period.

(v) Following the initial identification of the campaign expenditure by Executive Director B (appointed in October 2016), Executive Director B identified additional expenditure of €516, which related to Facebook advertising which was not previously invoiced by the Charity to the former co-Chair. A further invoice was raised by the Charity for this amount on 11 December 2016. The Charity received payment for this amount on 13 March 2017.

(vi) The inspectors noted that the former co-Chair offered to resign his position as Co-Chair and Board member in January 2017, which was not accepted by the Board at that time. The Board invited the co-Chair to remain on as a Board member due his *"vital contribution to GLEN over several decades and his role as co-founder"*. The inspectors noted that the co-Chair ultimately remained on the Board until his formal resignation in April 2017.

(vii) In May 2017, a further amount of €300 was paid by the former co-Chair, which related to payment in respect of rent for the use of GLEN offices. Both the former co-Chair and Executive Director A explained that this was based on a verbal agreement agreed at the commencement of the campaign.

(viii) In August 2017, the inspectors identified a further €150 of expenditure in respect of flyers which was not invoiced by the Charity to the co-Chair. The co-Chair confirmed that he paid a total of €376.29 on 27 October 2017, which included the expenditure in respect of the flyers identified by the inspectors and an interest payment, amounting to €226.29, due on all amounts advanced by the Charity in respect of the campaign. We understand that the payment of interest followed on from advice from which the co-Chair received independently from the Standards in Public Office Commission. Based upon interview, the co-Chair and the Board confirmed that all amounts have now been invoiced and paid in respect of charitable funds used for the purpose of the Seanad campaign.

Conclusion(s):

The use of charitable funds for the purposes of a political campaign was inconsistent with the trustee common law duties i.e. for trustees to ensure that their actions comply with the charities governing document (including purpose) and to ensure that the Charity is carrying out its charitable purposes for the public benefit in accordance with Section 3, Charities Act 2009.

Furthermore, the inspectors note that certain bodies are excluded from being registered Irish charities under Section 2(1) of the Charities Act 2009, which includes a body that promotes a political party or candidate. The use of charitable assets to promote a political candidate could have had serious implications for GLEN's status as a registered charitable organisation under the 2009 Act.

The absence of evidence of any communication or notification by the former Co-Chair and/or Executive Director A to the Board in respect of the financial arrangement was also inconsistent with key governance principles, including the principles of disclosure and transparency. The expenditure also exposed the Charity to potentially serious reputational risk.

Furthermore, weaknesses in financial reporting processes and oversight implemented by the Board meant that they were unable to detect such expenditure on a timely basis.

3.2 Inadequate and inappropriate controls applied to the use of charity credit cards, including personal expenditure and cash withdrawals

Credit card policies and procedures

The inspectors found the following matters:

i) The Charity did not have adequate controls governing the use or monitoring of actual credit card based expenditure in the period examined[2]. Prior to the appointment of the new Executive Director ("Executive Director B") in October 2016, a total of seven (7) Charity credit cards were in use by six individual staff members and one Board member (former co-Chair). The inspectors found that the credit card held by the former co-Chair was not used (with the exception of bank charges) and the remaining credit cards held by staff members were subject to frequent use. The inspectors found that there was no evidence of formal approval of cards issued and there was no formally documented credit card policy approved by the Board. The Board (including Chair of the Finance subcommittee) also confirmed that they neither requested nor received any specific detailed analysis or reporting upon actual credit card expenditure. The Chair of the Finance subcommittee, which was established by the Board in 2015, explained that the focus of this subcommittee was on the funding challenges which were being experienced by the Charity at that time. The Chair of the Finance subcommittee also explained that, upon appointment, he was not made aware of any potential internal control issues in respect of credit cards (neither by management, meeting with the external auditor or the formal management letter[3] issued to the charity). Following the disclosure of the existence of the relatively high number of credit cards in November 2016, the Board requested that Executive Director B cancel all credit cards, with the exception of one credit card to be held by Executive Director B for the purpose of charitable expenditure.

ii) Based upon interviews with GLEN staff, the inspectors noted that the credit cards were provided upon appointment and were used to pay for expenditure such as travel costs, events, lunch, meeting costs and accommodation incurred in the course of performing work on behalf of the Charity. All such credit card holders confirmed that they were responsible for analysing their own credit card statements (by way of notations provided on credit card statements) and attaching any receipts, which were then to be provided to the administrator. The administrator was then responsible for posting the transactions to the Charity accounting system. The Charity's approved financial policies and procedures[4] in place at the time made no reference to the existence or use of credit cards or any form of approval or reporting upon credit card expenditure. The absence of documented internal controls guidance specific to credit card usage and the absence of any meaningful, independent review by the Board (or subcommittee)

[2] January 2014 to May 2017

[3] For the year ending 2014 or 2015.

[4] 11 November 2010

increased the potential risk of unauthorised or inappropriate use of credit cards. The inspectors found that credit card holders had a significant degree of autonomy in terms of incurring expenditure. Furthermore, there was an absence of evidence of formal approval of expenditure in line with general purchasing thresholds set by the Charity.

iii) The inspectors found that credit card expenditure was not adequately supported by itemised till receipts or invoices. The inspectors note that visa receipts are not adequate support for credit card expenses as it only proves payment and does not provide detail of what was paid for. This limited the ability to fully assess the underlying purpose of the expenditure incurred. For example, where expenditure was incurred via hotel stay, dinner, lunch, restaurant or bar and an itemised receipt was not provided, it was not possible to readily determine the purpose of the expenditure, the number of people in attendance, actual items purchased etc.

iv) The inspector's finding of inadequate record keeping and maintenance was common across all credit card expenditure in use in the period January 2014 to May 2017. This is further illustrated in the table below:

Year	Total Expenditure	Total expenditure not adequately supported by receipts or invoices	% Not Supported by itemised receipts or invoices
2014 Total	€ 43,890	€ 15,014	34%
2015 Total	€ 59,885	€ 21,179	35%
2016 Total	€ 43,313	€ 14,909	34%
2017 Total	€ 904	€ 72	8%
2014-17 Total	**€ 147,992**	**€ 51,174**	**35%**

Executive Director A acknowledged that the preparation and submission of his receipts was not done on a timely basis. Executive Director A explained that he submitted his expenses "once or twice a year". At the conclusion of the investigation (April 2018), Executive Director A also advised that he recently forwarded additional receipts and invoices to the charity in respect of expenditure incurred on his credit card. As at 1 December 2016, the inspectors noted that the unaudited Charity records indicated an amount of €8,869 was due to be reconciled and settled between the Charity and the former Executive Director A. Executive Director A further commented that the need for the reconciliation and settlement of the expenditure was acknowledged and agreed with the Charity prior to leaving employment. In the period December 2016 to January 2017, Executive Director A provided a total estimate of €5,269 in receipts to the Charity and repaid €4,800 in respect of any non-Charity related expenditure incurred. The inspectors noted that the Charity records indicated that the Charity owed approximately €1,200 back to Executive Director A as at the end of 2016. The inspectors noted that Executive Director A waived any monies which the charity owed back to him.

Personal expenditure incurred on Charity credit cards

v) In the period subject to review, the inspectors found that three credit card holders regularly used credit cards for incurring personal expenditure. The expenditure was recorded by the Charity administrator as an "other debtor" amount for all credit card holders and was included in the Charity financial statements. The three credit card holders re-imbursed personal expenditure amounts to the Charity on a regular basis. Executive Director A expenditure accounts for the majority of the total personal expenditure incurred on GLEN credit cards. The opening other debtors balance at 1 January 2014 included €2,115 for personal expenditure. In the period January 2014 to May 2017, a total amount of €13,852 was incurred on personal expenditure. As of 30 November 2017, the inspectors noted that the Charity records (unaudited) showed that an amount of €384 was due to the charity by staff members. Staff interviewed by the inspectors noted that they were not aware of any amounts due to be repaid to the Charity and, at the time of interview, the inspectors noted that staff were not formally requested to repay any potential amounts owing to the Charity.

vi) Trustees who were on the Board in the period January 2014 to May 2017 confirmed that they were not aware of the use of Charity credit cards for the purpose of incurring personal expenditure until it was disclosed by Executive Director B. The trustees also advised that they were not aware of the existence or use of the "other debtor" account, which was used for the purpose of recording and tracking personal expenditure incurred via credit card.

vii) The inspectors noted that the external audit management letters for 2014 and 2015 did not formally communicate any issues in respect of internal control within the Charity. The external auditor did, however, provide a copy of the 2010 management letter, dated 8 March 2011, which makes reference to *"Other Debtors"* and stated:

"Although all monies owed and paid are going through the 'other debtors' code, it is difficult to see what the individual balances are at any point in time. Therefore, going forward we will agree the opening balances to [administrator] and as well as using the 'Other Debtors' code, a separate record for each individual should be kept. These amounts should be agreed with all parties and repayment terms agreed."

The former co-Chair was the only Board member interviewed who was present at that time i.e. 2011. The former co-Chair advised that he did not recall any internal control weaknesses being raised by the external auditor other than a point raised by the external auditor in respect of the payment of intern expenses. Similarly, Executive Director A advised that he did not recall any internal control weaknesses being raised by the external auditor other than a point raised by the external auditor in respect of the payment of intern expenses. The external auditor also advised that they were not invited to attend and/or present the financial statements to the trustees of the charity on an annual basis. The inspectors found that there were no formal, written agreements (including repayment terms) in place in respect of personal expenditure incurred. The inspectors did note, however, that the administrator did maintain an annual breakdown and analysis of such balances in line with the advice received from the external auditor.

viii) The Board members confirmed that they did not request or receive any regular balance sheet reporting. On an annual basis, the Board did receive and approve the annual financial statements, which did include a balance sheet. However, given the absence of knowledge amongst the Board members of personal expenditure being incurred by staff, it is evident that the Board did not request or receive any detailed balance sheet reporting information and did not ask or seek to question what comprised the "other debtor" balance which was included in the annual financial statements. The financial statements also did not include any additional disclosure in respect of the makeup of the other debtor balance, including any potential disclosures in respect of any staff amounts owing to the Charity.

Cash withdrawals on credit cards

ix) The inspectors found that credit cards were used for cash withdrawals and the Charity records did not adequately obtain or retain suitable evidence to demonstrate the underlying nature of the actual expenditure incurred. The total value of cash withdrawals in the period 2014 - 2016 totalled €10,030. Bank fees were charged on top of this amounting to c. €205. The inspectors identified up to approximately 70% of cash withdrawals from credit cards were not adequately supported by actual supporting itemised till receipts or invoices to evidence the exact nature of the underlying expenditure. An amount of €1,050 (c.10%) of the cash withdrawn was used for personal expenditure by two employees, which was recorded within the 'other debtors' account and re-imbursed to the Charity. An amount of €4,630 (c. 46%) of the cash withdrawn was analysed as miscellaneous / petty cash.

x) All staff interviewed in the investigation advised that cash withdrawals were made primarily for the purpose of petty cash and/or paying for postage related costs where the Charity did not possess a franking machine. Other credit cards holders also highlighted examples of occasions where cash withdrawals were made for the purpose of paying suppliers who would only accept cash or cash withdrawals being made for the purpose of paying for expenditure associated with events held by the Charity. Staff explained that where there was any cash remaining, they would pass any such amounts to the administrator for the purpose of petty cash. The trustees confirmed to the inspectors that they were not aware of the use of credit cards for the purpose of cash withdrawals nor would they have approved. The pattern of cash withdrawals and expenditure allocation is further illustrated in the tables below:

Total cash withdrawals by year by employee				
	Year			€
Name	**2014**	**2015**	**2016**	**Grand Total**
Employee 1	€ 1,910	€ 2,450	€ 1,330	€ 5,690
Employee 2	€ 660	€ 100	€ 500	€ 1,260
Employee 3	€ 200	€ 470	€ 440	€ 1,110
Employee 4	€ 50	€ 580	€ 200	€ 830
Employee 5	€ 150	€ 40	€ 400	€ 590
Employee 6	€ -	€ -	€ 300	€ 300
Employee 7	€ 110	€ 140	€ -	€ 250
Grand Total	**€ 3,080**	**€ 3,780**	**€ 3,170**	**€ 10,030**

Nominal ledger account where cash usage was posted 2014 – 2016	**Total**
Miscellaneous / Petty Cash	€ 4,630
Publication / Events	€ 1,810
Debtors	€ 1,050
Diversity Champions	€ 860
Conferences / Networking	€ 350
Post	€ 340
European Work	€ 300
Post / Index	€ 250
Travel	€ 200
Post / intern Expense	€ 140
Equipment	€ 100
Grand Total	**€ 10,030**

xi) The Charity did not operate a proper petty cash system, including the use of any petty cash control account, imprest system, formal reconciliations (including independent review) or actual petty cash counts. The inspectors found that the petty cash records were therefore inadequate. The Charity administrator and Charity staff explained that where cash withdrawals were made (for example, via credit card), the cash withdrawal was recorded on the accounting system as petty cash by the administrator. Alternatively, cash withdrawals could be used to pay suppliers in the first instance with any remaining cash being entered and recorded as petty cash by the administrator. Charity staff explained that any remaining cash was then stored in the petty cash box, which was held by the administrator. The administrator confirmed that petty cash was not *"formally recorded", "there was no petty cash float"* and there was *"not consistency with providing receipts"*. The overall weaknesses in the system of petty cash meant that the charity was subject to potential increased financial control risk. The weaknesses in record keeping (including the absence of actual underlying receipts for all expenditure items) also meant that the inspectors were unable to perform any meaningful analysis on the miscellaneous/petty cash expenditure incurred in the period 2014 – 2016 i.e. total of €4,630 over the three year period.

Conclusion(s):

The use of credit cards for personal expenditure and cash withdrawals was not in accordance with best practice and should not have been facilitated. There was an overall absence of proper financial procedures and the necessary oversight in respect of the approval and use of credit cards and petty cash. Such weaknesses in financial controls meant that the trustees did not implement suitable procedures to consistently safeguard the Charity's assets and funds.

The Charity trustees did not implement suitable procedures to obtain and/or review the necessary financial information to identify and review the transactions being recorded in the balance sheet i.e. the use of the *"other debtors"* account. The inspectors further concluded that the organisational culture was one where the trustees appeared to place relatively high levels of trust in staff members without adequate checks and balances being put in place to provide the necessary oversight of all financial transactions and financial reporting.

When reporting to the Board, Executive Director A did not fully report upon the nature and existence of personal expenditure transactions, which did not adhere to the principles of openness, transparency and disclosure. Furthermore, the use of charitable funds for the purpose of personal expenditure resulted in a failure by the Charity to ensure that charitable assets/funds were used to further the Charity's charitable purpose. When considering the personal expenditure incurred by Executive Director A, the inspectors were satisfied that Executive Director A repaid personal expenditure incurred and does not owe any further amounts to the Charity.

The inspectors note the importance of the need for continuous communication by the external auditor where internal control issues are identified. Notwithstanding the primary trustee obligations, the absence of continuous reporting upon internal control weaknesses, including the associated risk(s), potentially reduces the ability of trustees to fully assess and address such control issues on a timely basis.

3.3. Absence of formal agreements in place between GLEN and other third parties in respect of expenditure incurred or sums advanced

(i) The Charity entered into a number of arrangements to:

a) provide funds to third party organisations for activities potentially aligned to the Charity's objects; or
b) incur up front actual expenditure which was funded by GLEN in the first instance with a view to subsequent re-imbursement.

Whilst the funded activities appear consistent with the charitable objective of GLEN, many of the arrangements were not supported by formal, written agreements or formally approved by the Board. All such transactions were recorded in the *"other debtor"* account within the Charity accounting system and financial statements. Specific financial arrangements entered into by the Charity included the following:

- Funds amounting to €25,045 advanced to the "GLEN campaign for Marriage" in 2015, which was a separate non charitable organisation comprising of Board members and staff of GLEN. We understand the funds transferred to the "GLEN campaign for Marriage" were used to pay for communications activities and the monies were repaid to the Charity prior to March 2016. The transaction was not separately classified or reported upon as a related party transaction in the 2015 audited financial statements.
- Expenditure incurred on behalf of LGBT Equality Limited amounting to €18,854 in the period from March 2015 to September 2016, which the inspectors noted as *"expenses paid by GLEN on behalf of Yes Equality using GLEN visa card"* and expenditure relating to a post marriage referendum archiving project. The Charity explained that as GLEN had accounts with certain office service providers which LGBT Equality Ltd did not at that time, GLEN paid certain services on an interim basis on the understanding that these services would be reimbursed in full by LGBT Equality Limited. As at the end of November 2017, the Charity confirmed that an amount of €2,431 remained outstanding.
- Expenditure incurred by Executive Director A in respect of his appointment to the Board of ILGA Europe. The inspectors noted that this nomination was approved by the Board of GLEN, updates were provided by Executive Director A to the Board on these activities and it was also noted that the expenditure was incurred using the Charity credit card held by Executive Director A with such expenditure to be re-imbursed by ILGA Europe to the Charity.

Conclusion(s):

The trustees did not implement suitable, formal written agreements in respect of funding provided to other third party organisations or related parties.

Additionally, the trustees did not adequately disclose the nature of any related party transactions in the financial statements for 2015, which forms part of their responsibilities when preparing and approving such financial statements in accordance with generally accepted accounting principles.

3.4 Other observations in respect of charity financial governance and controls

The inspectors found the following matters:

i) The Board implemented financial reporting processes whereby it received regular reporting in respect of the overall budget, income, expenditure, reserves and cashflow. However, the Board did not request or obtain suitable reporting to fully understand the full financial position of the Charity i.e. the balance sheet. As previously noted, there was an absence of any regular reporting upon the overall balance sheet of the Charity, which contributed to the absence of Board knowledge or awareness of the "other debtor" account and the transactions recorded therein. The "other debtor" account was used to record the financial transactions associated with the political campaign, any personal transactions incurred on credit cards and financial transactions entered into with third parties, which were to be subsequently re-imbursed to the Charity. The Board did set up a finance subcommittee in 2015, however, the Chair of the subcommittee acknowledged that the focus of the subcommittee was on strategic challenges i.e. funding challenges which were present at the time. The inspectors also noted that the subcommittee did not have any formal terms of reference, including roles and responsibilities.

ii) The Charity operated a system of sole online banking authorisation without adequate levels of independent review and oversight in the period examined. The inspectors noted that the matter was brought to the Board's attention by Executive Director B in November 2016 when the Board took action to implement additional controls within the financial control environment. This included additional online banking users and the use of an independent, third party accountant for the purpose of managing the financial affairs of the Charity.

iii) In May & June 2017, following the decision to wind down the Charity, the inspectors noted that the Charity made ex gratia payments to two employees amounting to €2,500 each. The charity explained that the payments were made in full and final settlement of all claims or potential claims against the GLEN having due regard to the cost of any such claims. Whilst the inspectors noted that GLEN funding came from a variety of sources, including government funding, donations from philanthropic organisations and private companies (primarily in respect of Diversity Champions), it was not clear which actual reserves were used to fund the ex gratia payments. Furthermore, the charity did not provide evidence of any correspondence with any funder(s) whose funding may have been applied to such payments. The unaudited net assets of the Charity (February 2017) amounted to €174k, part of which was due to be returned to funders. At the time of reporting, the process for determining how the net assets will be wound down/distributed was ongoing.

Conclusion(s):

Whilst the inspectors acknowledge that the trustees did obtain and review income and expenditure based financial reporting and budgets, the trustees did not implement suitable procedures to fully assess the full financial position of the Charity on a regular basis. The finance subcommittee set up by the Board also did not have any documented terms of reference to help to guide and inform its remit, activities and reporting to the Board.

The use of single authorisation and approval of bank transfers was further evidence of a weakness in the internal financial control environment.

The trustees did not appear to obtain explicit approval from funders (where applicable) prior to the making of ex gratia payments.

4. Recommendations

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

1. We recommend that the Charities Regulator Authority obtain a final update from the Charity on the status of *other debtor* amounts due to the charity prior to the wind down being completed.

2. Under s28, the Charities Regulatory Authority should consider furnishing a copy of this report as it deems relevant.

3. The Charities Regulatory Authority should review the latest guidance issued to the Charity sector and update (where deemed necessary) in order to further strengthen such guidance when considering the findings and conclusions contained within this report.