

Section 66 Inspector's Report

Galway University Foundation
Company Limited by Guarantee
(Registered Charity Number 20038823)

12 November 2019

Galway University Foundation Company Limited by Guarantee (Registered Charity Number: 20038823)

I have, in accordance with the provisions of Section 64 of the Charities Act 2009, carried out an investigation into the affairs of Galway University Foundation, Company Limited by Guarantee ("the Charity").

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

Signed:



Tom Murray
Inspector

Dated: 12 November 2019

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1. Background of the Charity

- 1.1 Galway University Foundation (“the Charity”) was established in 1998.
- 1.2 The Charity’s charitable purpose is the advancement of education. The Charity’s main objects are engaging in fundraising activities for the purpose of the furtherance of education and research carried out by National University of Ireland, Galway, (NUI Galway) (“the University”) in pursuit of education, teaching and research.
- 1.3 In this context, under the direction of an independent Board of Trustees, the primary role of the Charity is to advance the strategic priorities and academic objectives of the University, by generating financial support for the University’s programmes and activities. It does this in three broad ways –
1. By Developing Strategic Relationships in Conjunction with the President’s Office;
 2. Raising Philanthropic Funds;
 3. Alumni Relations.
- 1.4 The CEO informed the Inspector that since its establishment in 1998, the Charity has raised over €146m in support of NUI Galway. These funds have leveraged matching funding of €65m from public and other sources and the combined funds have enabled the University to invest €200m in research, training and educational access.
- 1.5 The last audited Financial Statements for the period under review that the Charity has filed with the Companies Registration Office relates to the year ended 30 June 2017. During that financial year, the Charity secured a turnover of €7,442,081 (2016: €4,385,834). All income generated relates to donations derived from Ireland, Australia, Switzerland, United Kingdom, the United States and the Rest of the World. Income attributable to geographical markets outside the Republic of Ireland amounted to 13% for the year. Irish income from Irish domiciled donors is included in the figures above. The Charity also generated by way of investment income a total of €2,749,402 for the year end 30 June 2017 (2016: €1,659,998). The Charity employs 9 members of staff including the Chief Executive Officer and Chief Financial Officer. The Charity has informed the Inspector that operating expenses were primarily funded by interest and investment income.
- 1.6 The Charity’s details can be viewed on the public Register of Charities. www.charitiesregulator.ie

2. Background and Approach to the Investigation

- 2.1 In June 2017, the Charities Regulatory Authority received concerns in respect of the level and nature of travel and hospitality expenses within the Charity. The compliance unit of the Charities Regulatory Authority thereafter conducted preliminary inquiries.
- 2.2 In December 2017, the Charities Regulatory Authority made contact with the Charity requesting specific information to review.
- 2.3 On 29th March 2018, the compliance unit of the Charities Regulatory Authority conducted a site visit to the Charity pursuant to a Section 68 direction. The site visit was to review travel and expenditure documentation for the preceding two financial years (2017 and 2016).
- 2.4 On the 11th April 2018, 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. Mr Tom Malone, former staff member of the Charities Regulatory Authority who was originally appointed as the second Inspector, left the Charities Regulatory Authority in February 2019 and accordingly was no longer in a position to perform the role of Inspector from that time. No additional inspector was appointed to replace Mr. Malone. The Charity was informed of this at the time.
- 2.5 On 26th April 2018, a formal requirement was issued to the Charity under section 65(1)(a) of the Act to provide all books, documents and other records relating to numerous matters including expenses for the years ending 30 June 2015, 2016 and 2017 inclusive. The Inspector and his staff inspected the documents onsite between the 5th and 15th of June 2018. A further formal requirement seeking further information was made under section 65(1)(a) on 17th July 2018. This information was inspected onsite on the 20th and 21st of August 2018 by the Inspector's staff.
- 2.6 The Inspector conducted interviews on oath under section 65(4) of the Act, which included interviews with the Chief Executive Officer, the Chief Financial Officer and certain past and present Board members who had served during the period 1 July 2014 to 30 June 2017. These past and present Board members who were interviewed were:
- The former Chair of the Board, who was on the Board from March 2000 to May 2017;
 - The current Chair of the Board, who acted on the Board from March 2012 to present;
 - The Past President of NUI Galway ("the University"), who acted on the Board of the Charity (i.e. Galway University Foundation) from October 2001 to January 2018 (**Note: The former President is referred to throughout this report as the Director / Past President. During the three-year period referred to in this report, this person was both the President of the University and a Director of the Charity**)

- 2.7 Drafts of the report were issued to persons in respect of whom there was a possibility of any adverse findings and for the purpose of factual accuracy verification. The Inspector adhered to fair procedures during the course of the investigation and considered all information and submissions provided. The management personnel of the Charity, and those interviewed, fully co-operated with the Inspector during the course of the investigation.
- 2.8 The investigation findings and conclusions are set out in Section 3 of this Report. They relate to the matters examined by the Inspector, and are not intended to make any comment in respect of any previous general work and purpose of the Charity, and are therefore confined solely to the following matters;
- *General Observations*
 - *Charitable Funds used on Taxi Services;*
 - *Charitable Funds used on Business Class Flights and 4/5 Star Accommodation;*
 - *Charitable Funds used on Spousal Travel;*
 - *Inadequate Controls applied to Donor Acknowledgement;*
 - *Budgeting and Reporting in relation to Events;*
 - *Weaknesses in Internal Controls over Travel and Expenses and Credit Card usage;*
- 2.9 The initial draft report was sent to those affected on 25 January 2019. As set out at paragraph 2.4 above, Tom Malone was no longer in a position to perform the role of Inspector from February 2019 on. There have been amendments made to the initial draft report since February 2019. Those amendments were made by me, Tom Murray of Friel Stafford, being the other Inspector appointed to investigate the affairs of the Charity. Therefore, the findings and conclusions set out in this report dated October 2019 are my findings and conclusions.

3. Investigation Findings and Conclusions

3.1 *General Observations*

- 3.1.1 The Inspector notes that in many respects, the Charity appears to be a well-run organisation. As highlighted in this report there are some areas where improvements could be made including:
- An improvement in documentation and justification surrounding the use of private taxi services;
 - An increased awareness / distinction between charitable and University business.

3.2 Charitable Funds used on Taxi Service

3.2.1 The Inspector found the following matters:

- a. In the financial years ending 30th June 2015, 2016 and 2017 a Taxi Service was used on 102 trips, at a cost of €30,398. All taxis taken were operated by a local private taxi driver.
- b. There was no substantial backup documentation on file as to the purpose of the trips and the justification for using a taxi service when the Inspector reviewed all documentation provided by the Charity in response to the direction and initial requirement issued by the Inspectors seeking books, documents and other records. The Inspector attended onsite on 5th June 2018. The invoices from the taxi operator themselves lacked detail as to the purpose of the journey stating only the pickup and drop off locations. Schedules outlining the purpose of the trips were provided to the Inspector when the Inspector requested it at a later date, but they were not on file when the Inspector first attended onsite.
- c. There were 102 instances of the private taxi service been used. Most of the trips were for Galway to Dublin or Dublin to Galway. There were also trips from Galway to Sligo, Limerick, Shannon and Athlone. Trips were either "one way" or in many cases "return".
 - i. 77 out of the 102 instances of taxi usage over the three years were utilised by the Director / Past President of the University on his own, whilst he utilised the service in the company of others on a further 12 occasions.
 - ii. The CEO utilised the taxi service on 9 of the 12 occasions that the Director / Past President shared the taxi and used it on 3 occasions on his own.
 - iii. For the remaining 10 occasions, the private taxi services were utilised by various individuals.
- d. 11 trips of the 102 trips related to University activities as opposed to the Charity's activities.

3.2.2 Based upon interview the Director / Past President explained that the role of President of the University was a demanding one and that it often required attending evening events which finished late only to be followed by early morning meetings significant distances away. The Director / Past President explained that in circumstances such as these it was more efficient and safer to avail of a driver than to risk driving when tired and that taxis were used when the Director / Past President could not use public transport to meet the requirements of his diary.

3.2.3 Based upon interview the Director / Past President confirmed that the policy of the Charity is that when commuting distances on Charity business, travel should be undertaken in the following order:

- a. Public Transport;
- b. Car share with colleagues;
- c. Use of own vehicle;
- d. Taxi Service.

Based upon interview the Past Chair of the Board confirmed that the policy is to use taxis in exceptional circumstances.

- 3.2.4 The CFO also confirmed that these taxis were booked by the Director / Past President's Office who then sent the invoices to the Charity for payment. Given the lack of detail as to the purpose of the journey, when asked by the Inspector how did they satisfy themselves that the taxis were for charitable purposes / the work of the Charity and not for the University itself - the CFO stated that any queries would have been checked with the Director / Past President's Office and that this was done on a number of occasions. The CFO noted that on a limited number of occasions they would have not paid the queried invoices. However, there was no evidence on file to this effect when the Inspector was on site.
- 3.2.5 Based upon interviews the Chair of the Board, Past Chair of the Board, the CEO and the CFO confirmed that they believed that:
- a. The presence and attendance at events by the President of the University is a very important enabler of the Charity in raising monies for its charitable purposes;
 - b. The Director / Past President did much valuable work for the Charity and;
 - c. The use of the taxis was necessary in carrying out this valuable function for the Charity.
- 3.2.6 The Director / Past President, CEO and CFO also noted that the mileage allowance that the Charity paid was in line with Revenue guidance and that there was a marginal difference in cost (€4,192 over three years). The approach taken to calculate this marginal cost appears to have included consideration of the following:
- a. Mileage Allowance;
 - b. Overnight Allowance;
 - c. Subsistence Allowance, Parking & Tolls.

Conclusions:

- 3.2.7 The use of charitable monies on a taxi service for long distance travel is generally inconsistent with value for money considerations.
- 3.2.8 On the initial occasion, when the Inspector was onsite and reviewed the books, documents and records, there was an overall absence of proper oversight in respect of documented approval and justification for the use of the taxi service to ensure that the taxi service was used in the performance of charitable work and that it was justifiable on

a cost basis compared with alternatives such as personal vehicle / public transport. A schedule outlining the purpose and passenger of each trip was subsequently provided to the Inspector when requested which highlighted that 11 out of 102 trips were not for Foundation business. The schedule also showed that there was a marginal difference of €4,192 in cost over a three-year period for the 102 trips when compared to Civil Service approved rates for travel and subsistence published by Revenue (see section 3.2.6).

- 3.2.9 A charity needs to have procedures in place to distinguish what its own charitable expenditure relates to and not the expenditure that is related to another entity albeit another charity.

3.3 Charitable Funds used on Business Class Flights and 4/5 Star Accommodation

- 3.3.1 The Inspector found the following matters:

- a. A review of the Charity's nominal ledgers and flight booking receipts found that a total of €48,584 was spent on business class return flights over the financial years ending 30th June 2015, 2016 and 2017, predominately to New York where the Charity's Annual Gala event is held; This included €13,818 in respect of contractual commitments for entertainers engaged for the New York Gala. Other destinations included Singapore, Beijing and Toronto. The Charity spent a further €24,145 on flights that included economy travel one way and business travel the other way;
- b. A review of the Charity's nominal ledgers and hotel booking receipts found that the Charity's average cost incurred on accommodation was circa. €385 per night. In many cases, the cost of hotels was in excess of Revenue guidelines for overseas travel;
- c. The hotels used by the Charity included a mix of 4/5 star hotels such as the 4 -star The Fitzpatrick Hotel in New York, The Royal Automobile Club in London, The Westin in Cleveland and the 5-star Shangri-La and Grand Hyatt in Singapore.

- 3.3.2 Based upon interview the Chair of the Board noted that business class travel was not the policy of the Charity, but that:

- a. The President of the University is allowed travel business class for long haul flights under the University's policy;
- b. The Charity has adopted the same policy as the University for the Director / Past President and that in this context the Director / Past President would travel business class;
- c. The CEO when travelling with the Director / Past President of the University on Charity business could / should also travel in business class as it would be more

productive to be seated together. The Inspector did not see any evidence of this being approved at Board level.

- 3.3.3 When asked why the Director / Past President of the University would travel business class whilst on Charity business, in interview the Inspector was told by the CFO that as President of the University he travelled in accordance with the University's policy which allowed business class. The Inspector was further told by the CFO that the role of President of the University is very important in Philanthropy, particularly in dealing with high net worth individuals. The Trustees were of the view during the interviews that it was appropriate for the Director / Past President to operate under University rules.
- 3.3.4 It was also noted by the Director / Past President when asked was business travel appropriate given the charity status of the foundation that "we're expected to be ready for meetings, being there is important and being tired is not giving of your best"
- 3.3.5 It was not possible from the Charity's books, documents and records to fully assess the purpose or necessity for business class flights. It was also not possible to tell whether the Director / Past President was travelling for the purposes of the Charity, the University or both. In interviews, the Director / Past President, Chair, Past Chair, CEO and CFO were of the view that in relation to the role of the University President, it is difficult to distinguish between what is University endeavours from Charity endeavours as they are interchangeable.

Conclusions:

- 3.3.6 The use of charitable monies on business class flights is inconsistent with general best practice and value for money consideration. While there may be exceptional cases where a charity could put forward a business case for such travel, it was not possible to fully assess the purpose or necessity for business class flights or whether the Director / Past President was travelling for the purposes of the Charity, the University or both. The use of business class travel within the Charity appeared to form a substantial percentage of flights taken (30% to 40% of flights taken) for certain individuals.
- 3.3.7 Whilst neither the Charity's policy nor Civil Service approved rates for travel and subsistence published by Revenue make any reference to whether any particular standard of hotel is permitted, the use of charitable monies on 4- and 5-Star hotels is inconsistent with general best practice and value for money considerations.

3.4 Charitable Funds used on Spousal Travel

3.4.1 The Inspector found the following matters:

- a. A review of the Charity's nominal ledgers and flight booking receipts found that a total of 10 trips costing €10,884 was spent on Spousal Travel for Foundation Directors over the financial years ending 30th June 2015, 2016, 2017;
- b. Destinations included Chicago, New York, Toronto, San Francisco, Los Angeles and London;
- c. Spousal business class travel (included in section 3.2.1) was also evident on flight booking receipts at a cost of €7,222 (included in €10,884).

3.4.2 Of the €10,884 in section 3.3.1 (a), a total cost of €7,965 was incurred by the Charity on flight expenditure for the wife of the Director / Past President. Based upon interview the Director / Past President noted that the University's policy provides for spousal travel in exceptional circumstances (i.e. where there is a benefit to the University). The Director / Past President noted that his wife's travel was exceptional and that she only attended when requested to do so by the Charity for the purpose of building philanthropic relationships.

Conclusions:

- 3.4.3 The use of charitable monies on spousal travel is generally inconsistent with best practice and value for money considerations.
- 3.4.4 Further to that, the Inspector did not see any evidence within the Charity's policies that allows any form of spousal travel. Even if the policy allowed spousal travel under exceptional circumstances, there was no evidence provided to the Inspector to indicate the exceptional nature of the circumstances for which spousal travel was claimed.
- 3.4.5 The Inspector notes that on 1 March 2019 the Charity has withdrawn spousal travel.

3.5 Inadequate controls applied to Donor Acknowledgement

3.5.1 The Inspector found the following matters:

- a. Significant monies were spent on donor acknowledgement / appreciation of contributions:
 - i. €9,750 over the financial years ending 30th June 2015, 2016 and 2017 was spent on tickets for Rugby Autumn and 6 Nation Internationals;
 - ii. €21,200 was donated by the Charity to the University's Rugby Club;
 - iii. €61,571 was spent on donor acknowledgment at the Galway races over the financial years ending 30th June 2015, 2016 and 2017;

- iv. The investigation also found that the Charity spent a total of €15,238 on flights and a further €16,964 on accommodation for Charity and University guests. In addition, the Inspector found that expenditure on accommodation for donor acknowledgement / appreciation of contributions totalled €9,736 for the three financial years;

b. The following monies were spent on Alumni relationship events:

- i. €6,000 was spent in 2015 on a New York Druid Theatre Alumni event;
- ii. €4,038 was spent in 2015 on Abbey Theatre tickets,

3.5.2 Prior to October 2016, the Charity did not have any formal documented Fundraising Policy / Statement outlining its objectives, timelines, targets, associated budgets or locations for each event. The Fundraising Statement in place since October 2016 covers issues such as:

- Why / How the Charity Fundraises;
- Donor Engagement & Stewardship;
- Donor Acknowledgement;
- Responsibility to Donors;
- Administrative Charges;
- Budgets and Reporting.

3.5.3 The Charity acknowledge donations received from donors by way of gifts which include:

- Thank you gifts for donors;
- Thank you events;
- Hosting donors at Foundation events.

3.5.4 The Charity's Fundraising Statement states that "all donor gifts require the authorisation of the Chief Executive". The Inspector has been informed that verbal and/or written authorisation took place via the office administrator prior to any expense being incurred. However, the only documents provided to the Inspector as evidence of the CEO's approval for donor travel and accommodation when hosting donors at Foundation events was from minutes of a staff meeting for the preparation of the Charity's annual New York Gala for 2014, 2015, 2016. It was noted in the minutes that the CEO instructed a staff member to reserve several rooms in The Fitzpatrick Hotel for the donors. The minutes of the staff meeting were not signed by the Secretary or the CEO when reviewed by the Inspector. It is not clear how Donor acknowledgment / appreciation of contributions is formally authorised by the CEO.

3.5.5 Under interview the CEO and CFO confirmed that an annual budget for the Charity is prepared and approved by the board, and is then compared to actual results at each board meeting.

Conclusions:

- 3.5.6 The Inspector understands that a level of donor entertainment and acknowledgment is required when raising philanthropic monies. The exchange of gifts, meals, and entertainment is a well-established practice which, when used appropriately, can help strengthen existing donor relationships or develop new opportunities and convey respect and appreciation for existing donors.
- 3.5.7 However, in an environment of heightened disclosure requirements and transparency, charities run the risk of reputational damage if their expenditure on donor acknowledgement / appreciation of contributions appears to be excessive and not in line with a sufficiently detailed fundraising policy and associated controls.

3.6 Budgeting and Reporting in relation to Events

3.6.1 The Inspector found the following matters:

- a. The Charity is primarily driven by philanthropic donations. In order to drive philanthropic support, it hosts a number of events for existing and potential donors. In 2014, it was also charged with taking on the management of Alumni relationship for the University. In the years under review, the Charity received an annual sum of €240,000 per annum from the University for the work it does with University Alumni.
- b. The Charity organises a number of events each year including a Gala event in New York, donor acknowledgment at the Galway Races, and alumni events involving the Druid and Abbey Theatres.

3.6.2 Based upon interview the CFO noted the following:

- An annual budget is prepared;
- This is brought to the Audit Committee and subsequently the Board for approval;
- Actual expenditure is compared to budget by the Audit Committee at regular intervals.

3.6.3 However, given the costs of the events and the levels of income of the Charity, the Inspector would have expected to see:

- An individual budget prepared for each event;
- Detailed description of the event including the purpose and expected outcome;
- Detailed costings for hosting the event;

- Detailed pricing to ensure the event was covering costs and contributing to the charitable purpose;
- Subsequent analytical review of actual income and expense versus that anticipated in budget with an understanding of any positive and / or negative variances;
- An assessment of the success or not of the event in meeting strategic and financial objectives.

Conclusions:

3.6.4 The Inspector acknowledges that the Trustees both as a Board and its Audit Committee did obtain and review overall annual budgets and receive an update from the CEO on each event. However, there was an absence of detailed individual event budgeting and review procedures to thoroughly assess and consider the financial impact of each individual event.

3.6.5 The Inspector acknowledges that the impact of each event in terms of philanthropic income may not be possible to fully assess for a number of years given the amount of time that it can take to realise it, however the lack of individual budgets limited the Trustees ability to adequately assess the outcome of the event in terms of the impact of the expenditure incurred against the objective.

3.7 Weakness in Internal Controls over Travel and Expenses and Credit Card Expenditure

3.7.1 The Inspector found the following matters:

- a. The Charity had no Credit Card Policy in place for the three financial years ending 30th June 2015, 2016, 2017. Matters relating to credit card transactions was not referenced in either the Expense Policy or Internal Controls Policy. The Charity introduced the Credit Card Policy in October 2017 on foot of a recommendation by the Charity's external auditors after an internal review.
- b. The credit card holders had between them a significant degree of autonomy (in line with the prevailing expense policy) in terms of incurring expenditure with the CEO reviewing and authorising the monthly statement of the CFO and the CFO reviewing and authorising the monthly statement of the CEO.
- c. The 'Travel and Subsistence Allowance' section of the Charity's Expense Policy did not detail any associated limits on eligible expenditure when staff and board members travelled on Charity business.

3.7.2 Based upon interview, the past Chair of the Board explained that credit cards were provided to the CEO and the CFO to pay for expenditure such as travel costs, events,

donor meetings and entertainment, meeting costs and accommodation incurred performing work on behalf of the Charity.

- 3.7.3 The absence of a documented policy specific to credit card usage and the absence of a detailed independent review by the Trustees increased the potential risk of unauthorised or inappropriate use of credit card. *(It is important to state that there was nothing to indicate or suggest to the Inspector that the CEO or CFO used the Charity's credit cards inappropriately. In this regard, there were no cash withdrawals evidenced on either credit cards throughout the three years in scope and only isolated incidental personal usage of one card which was obviously done in error and which was immediately repaid.)*
- 3.7.4 The Inspector found from the Charity's accommodation, travel and subsistence file that in certain instances;
- An expense claim form was submitted and approved despite not having required backup receipts attached;
 - Upon examining hotel invoices and vouched expense receipts, there were a number of cases where entertainment included the purchase of alcohol on Charity business trips without any explanation accompanying the claim.

This limited the ability of the Inspector to fully assess the underlying purpose of the expenditure incurred, the number of people in attendance and the actual items purchased.

The Inspector noted that in all cases identified by them as not having back up accompanying the expense incurred the CFO subsequently was able to produce back up for the transactions when requested.

- 3.7.5 Based upon interview, the CEO and CFO have stated that based on advice from the Charity's external auditors this process has been tightened up since 2017 and that greater division of roles have been put in place with regard to travel and expenses and credit card expenditure.

Conclusions:

- 3.7.6 The Charity did not have adequate controls governing the use or monitoring of actual travel expenses and credit card-based expenditure in the period examined.
- 3.7.7 There was an overall absence of proper documented financial procedures and necessary oversight in respect of back up receipts for expenditure incurred and the approval and use of credit cards.
- 3.7.8 Financial procedures and controls are important and assist in consistently safeguarding a charity's assets and funds.
- 3.7.9 This matter was brought to the Charity's attention by its external auditors and the Charity informed the Inspector that it had implemented improvements for the year ending 30th June 2018. (The Inspector cannot confirm whether any improvement was implemented as this period was outside the scope of the Inspector's report). A credit card policy was implemented to strengthen controls in October 2017.