Section 66 Inspectors' report

ChildFund Ireland
Company Limited by Guarantee
(Registered Charity Number 20032913)

Final Report

2021

Inspectors' Report

ChildFund Ireland (Registered Number 20032913)

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

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

Signed:

Corné Mouton

Maureen Kelly	Cornè Mouton
Inspector	Inspector
Mazars	Mazars

Dated: 24th June, 2021

1 Introduction

1.1 Background to the report

1.1.1 In April 2020 the Compliance Unit of the Charities Regulator (“the Regulator”) sought the appointment of inspectors as provided for in Section 64 of the Charities Act 2009 (“the Act”) to investigate the affairs of a charitable organisation – ChildFund Ireland (RCN 20032913) (“the charity” or “ChildFund” or “CFI”) – and prepare a report thereon. This action was taken on foot of two concerns which had been opened by the Charities Regulator in relation to ChildFund.

1.1.2 ChildFund Ireland (then known as Christian Children’s Fund of Ireland) was founded and registered in 1991; it became operational five years later and in 2002 became a member of ChildFund Alliance. This is a global organisation with members in Australia, Canada, Denmark, France, Germany, Ireland, Japan, New Zealand, South Korea, Sweden, Taiwan and the USA. ChildFund Alliance establishes world-wide standards for governance, programming, fundraising and finance, but each Member organisation retains its own distinct national identity and is governed by its respective national Board.

1.1.3 As per the Constitution of ChildFund Ireland, the main objects for which the Company was established are:-

(a) to relieve child poverty and hardship anywhere throughout the world and to promote the care, development or education of needy children anywhere in the world, irrespective of their religion, sex, race or national origin for the purpose of providing for the healthy growth, development and education of children otherwise lacking necessities;

(b) the furtherance of charitable purposes which relieve or combat malnutrition, hunger, disease, sickness, poverty or distress anywhere throughout the world.

1.1.4 Today, ChildFund’s programmes promote long-term sustainable development and are designed to help break the cycle of poverty – the first of the Millennium Development Goals. Through the donations of sponsors, they provide communities with the information, opportunities and resources to allow their children grow in a healthy and productive manner.

1.1.5 Childfund Ireland is a private company limited by guarantee with no share capital. It became operational in 1996 and is a registered charity with the Charities Regulatory Authority on the Register of Charities (CRA Number 20032913) and holds a charitable tax exemption from the Revenue Commissioners (CHY Number 11742).

1.1.6 The organisation receives funding via its Sponsorship Programme which involves individual sponsors (members of the public) making a monthly contribution to the programme towards the sponsorship of an individual disadvantaged child. In addition, the organisation has also received funding from Irish Aid for its participation in a number of projects in Africa focussed on disadvantaged children and education. The organisation also benefits from tax refunds arising under the Charitable Donation Scheme on qualifying donations from individuals, together with other fundraising events and gifts.

1.1.7 The first concern opened by the Regulator was raised in March 2018 regarding the relationship between the acting CEO and the Board of ChildFund. Further information was sought from the concernee at the time, but as no further communication was received from them, that concern was closed.

1.1.8 A second concern was received by the Regulator in December 2018 and this was followed up by a number of contacts from employees of ChildFund. The concerns raised were in relation to the conduct of a former CEO of ChildFund, credit card expenditure, lack of control by the trustees of ChildFund, and the breakdown in the relationship between ChildFund and their most significant contributor, Irish Aid.

1.1.9 Between April 2019 and April 2020 ChildFund Ireland engaged with the Charities Regulator in respect of various matters brought to the Regulator's attention. As part of that engagement Childfund agreed to commission an independent review of the Charity which was carried out by Nexia Smith & Williamson.

1.1.10 On 29th April 2020 the Charities Regulator, pursuant to the provisions of section 64 of the Charities Act 2009 ("Act"), appointed Cornè Mouton and Maureen Kelly of Mazars as the two inspectors to investigate the affairs of ChildFund Ireland and to report to the Regulator under section 66 of the Act.

1.1.11 On 26th May 2020, a formal request was issued to the Charity under section 65(1) (a) of the Act to provide detailed information.

1.2 Basis of the Report

1.2.1 This Report is based on investigation work undertaken in the period commencing May 2020 to December 2020. This report includes investigation findings in respect of issues and matters arising from 1st January 2017 to the commencement of the investigation.

The factual findings have been made in the context of these periods and have not been adjusted to take account of any matters arising in subsequent periods.

1.2.2 The investigation giving rise to this Report included:

(a) Establishing relevant facts in respect of all matters specific to the appropriate use of charitable assets or funds and the procedures for the recording and authorisation of payments. Specific focus was on ascertaining financial control policies and procedures in place, the nature of the use of charitable assets or funds, any evidence of authorisation and approval, including any involvement of the Board, management and/or staff and methods used to obtain use of charitable assets or funds;

(b) Reviewing governance processes operated by the Board with a specific focus on financial governance and remuneration practices, reviewing the extent to which the Board applied good governance practices in respect of the concerns raised in review reports, reviewing Board oversight of CEO recruitment and resignation, reviewing Board makeup and tenure in line with best practice corporate governance, reviewing the existence and monitoring of the Charity's strategic plan by the Board, to assess whether there are any circumstances, which in the view of the Inspectors, suggests that applicable principles of good governance have not been complied with in relation to the areas under review; and

(c) Assessing whether, in the view of the Investigators, there were documented operational controls and fund management policies in place to suggest that cost benefit/value for money analysis was undertaken of grants, service level agreements entered into and rental agreements.

1.3 Investigation process

1.3.1 The investigation process, which this Report reflects, was commenced in May 2020. This followed on from a letter which the inspectors issued to the Trustees of ChildFund Ireland of 14th May 2020 requesting the nomination of an official, 'nominated liaison(s)', to act as a point of contact for the inspectors and the issuing of a description of the purpose of the investigation and an information request list to produce documentation pursuant to section 65 (1) (a) of the Charities Act 2009 on 26th May 2020.

1.3.2 The investigation process included (but was not limited to) the following:

- Requesting detailed information and documentation from ChildFund Ireland relating to its affairs for the period under review.
- Obtaining and examining detailed documents and information necessary for the purpose of the investigation, which included (but was not limited to) contracts, correspondence, memoranda, minutes, internal and external reports, e-mails, records, external data (CRO, google etc.) and notes.
- Performing searches of securely obtained electronic data and information, principally ChildFund finance system records which were available to the Investigators.
- Detailed review of transaction flows, authorisations and approvals.
- Interviews with a total of fourteen (14) individuals who were identified as either present or past ChildFund Ireland employees and past or present members of the Board of Directors, all of whom agreed to co-operate and attend for interview. Such individuals were identified by the inspectors as being of potential assistance to the Investigators. Not all past Directors were asked to attend for interview. Those who attended for individual interview are listed in the table below, including roles and the titles used within the body of the report:

No.	Role	Title used in the body of this report
1.	Program and Grants Coordinator (2014 to present)	Program Coordinator
2.	Interim CEO (12/12/18 to present)	Interim CEO
3.	Finance and Sponsorship Director (2004 to present)	Finance and Sponsorship Director
4.	Communications Officer and Development Education Coordinator (2014 to September 2019)	Comms Officer
5.	Sponsor Relations (2008 to present)	Sponsor Relations
6.	Finances and Sponsorship Relations Administrator (December 2018 to present)	Finances & Sponsorship Admin
7.	Board Member (2014 to present)	Board Member 1
8.	Former CEO (01/08/18 – 22/11/18)	Former CEO 2
9.	Board Member (2014 to present)	Board Member 2
10.	Board Member and Chair (2012 – present)	Chair
11.	Board Member (2015 to present)	Board Member 3
12.	Former Board Member (2014 to 11/12/18)	Former Board Member 1
13.	Former Board Member (2015 to 11/12/18)	Former Board Member 2
14.	Former CEO (2003 – December 2017)	Former CEO 1

- Interviews were recorded by way of a Dictaphone at each Investigation interview meeting. The recordings were then sent by secure means to confidential typists who transcribed the interview and transmitted same to the investigator by secure means. A copy of each interview transcript was circulated to those attending for interview and an opportunity was provided to those individuals for further comment based upon the transcript of the meeting.
- At all times, the Investigation was performed with regard to relevant legal principles and the requirements of fair procedures, including due process and natural justice.
- At all times, the Inspectors retained sole control of the procedures and process of the Investigation and were the final decision-makers on all matters of procedure relating to the Investigation.
- Preliminary reporting in line with fair procedures, included circulation of draft findings to those who may be subject to adverse findings.

1.4 This Report

1.4.1 This Report is confidential and has been prepared solely for the Charites Regulatory Authority as per section 66(1) of the Act. We acknowledge the right of the Charities Regulatory Authority as per section 66(3) of the Act to publish this report in such manner as it considers appropriate and to furnish a copy of the report, if it considers it appropriate, to those listed in section 66(3) of the Act. We reserve the right to amend the layout, observations and conclusions set out in this report, prior to any submission in any potential legal proceedings.

1.4.2 This report is based on work carried out and information provided to us to date. As new information may be made available in the future, we reserve the right to review and update our review observations and conclusions as necessary prior to the issuing of the final report.

2 Summary of Factual Findings

In summary the inspectors found for the period under review from January 2017 to May 2020:

- Inadequate action taken by the Board of ChildFund to address identified issues in respect of the charity's structure and wage costs, in the context of annual deficits incurred by the charity;

- An ineffective Board of ChildFund which has not acted in a timely manner on the recommendations of three reports which have highlighted a range of matters to be addressed urgently by the charity.

- A lack of sufficient Board oversight of the activities and finances of the charity.

- An inappropriate structure in ChildFund for financial governance, where the CEO had most of the approval authority and responsibility for internal control, the CEO was a member of the Finance & Audit Subcommittee which only met on limited occasions, and sufficient challenge in respect of financial matters was not evidenced either at Committee or Board level.

- Inadequate oversight by the Board and Finance & Audit Subcommittee of credit card and travel expenditure, procurement and purchase approvals, retirement expenditure, bonuses and recruitment practices within ChildFund.

- Evidence of delays in the circulation to the Board of minutes, issues with the accuracy of the content of those minutes and a lack of timeliness in the provision of financial information to the Board.

- Evidence that the Finance and Sponsorship Director had recruited staff to the organisation contrary to the Recruitment and Selection policy.

- Staff operating without current contracts of employment and a lack of documented roles and responsibilities for all staff apart from the CEO.

- Excessive and inappropriate spending on restaurants, travel and accommodation by Former CEO 1 and the Finance and Sponsorship Director and the disposal of a charitable asset to the benefit of Former CEO 1 without evidence of appropriate authorisation and approval by the Board.

- A lack of appropriate procedures for the recording and authorisation of payments and a lack of implantation and adherence to those published procedures or procedures noted in Board minutes.

- The procurement policy was not adhered to by the Finance and Sponsorship Director who purchased computer equipment between October 2017 and August 2018 totalling €10,407 contrary to the requirements of this policy.

- Evidence of gaps in financial control procedures of the charity and non-compliance with documented policies in place which the inspectors noted allowed for duplication of receipts and inappropriate expenditure.

- The CEO is nominally responsible for the finances of the organisation yet the Finance and Sponsorship Director is the co-signature on all bank accounts along with a Board member and the holder of the credit and debit cards of the organisation.

- The inspectors noted a lack of clarity in the documented procedures relating to transfers between bank accounts.

- No evidence of the use of expense forms as required by stated policy.

- Significant levels of expenditure on operating costs as a portion of income, resulting in poor value for money for funders of the organisation.

- No strategic plan in place for ChildFund since 2018.

- A report issued in 2017 detailed that the partnership with ChildFund International results in up to 64% of the annual grant from Irish Aid being utilised for salaries and administrative costs. The inspectors found no evidence of action taken by the Board to ensure value for money for this grant.

- Inadequate communications and public relations by ChildFund with its funders with no direct communication considered to members of the public who contributed to its Sponsorship Programme (which involves individual sponsors making a monthly contribution towards the sponsorship of an individual disadvantaged child) when a change was made to the distribution of their funds.

- The organisation occupies an office space which is excessive in size and cost and not appropriate for the charity, as noted in its own Board minutes. This has been brought to the attention of the Board since 2017 yet the inspectors note the issue has not been resolved to date.

- The majority of Board members exceeded documented tenure as per the Board charter, and skills deficits identified in a 2017 report at Board level have not been resolved.

- No evidence of formal Board training or induction processes in place in ChildFund.

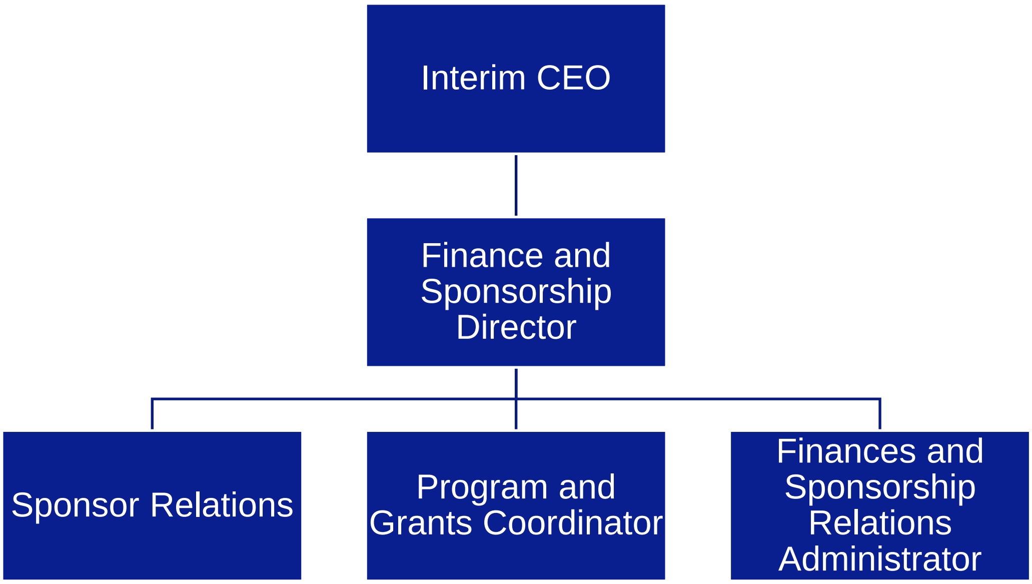
- Former CEO 1 tendered his letter of resignation to the Board in July 2017 and officially resigned in December 2017, yet the position was not filled until 1st August 2018. The Finance and Sponsorship Director managed the organisation from January 2018 to end July 2018 despite Board members acknowledging that she did not have the skillset required for the position.

3 Detail of Factual Findings

3.1 Staffing Structure & Inadequate Action in respect of High Wage Spend

3.1.1 Based on payroll and contract information provided by CFI, the inspectors noted that for 2017 there were seven staff employed, four part-time and three full-time. There were staffing changes in 2018 at the CEO level with no CEO in place for the first half of the year, Former CEO 2 was appointed on 1st August 2018 and resigned on 22nd November 2018 with an Interim CEO being appointed on 12th December of that year. In September 2019 the Communications Officer was made redundant which resulted in a saving in staff costs of €6,625 for that year. Also, between November 2018 and February 2019 the two Administration staff, for whom the inspectors have seen contracts dating from 2014, left CFI.

3.1.2 Based on a staff organisational chart provided by CFI there are currently five staff employed by CFI. The Interim CEO, the Finance and Sponsorship Director, Sponsor Relations, Program and Grants Coordinator and Finances and Sponsorship Relations Administrator.



3.1.3 Through a review of payroll records the inspectors have established that six other persons were employed by CFI during 2019 and 2020 for whom no contracts have been provided to the inspectors.

3.1.4 At interview the inspectors established that the Finances and Sponsorship Relations Administrator was not recruited as per the CFI Recruitment and Selection Policy. They stated at interview that the Finance and Sponsorship Director was "*my friends Mom*" who contacted them and offered them the position. They have a current contract of employment.

3.1.5 At interview both Program Coordinator and Sponsor Relations stated that they did not have current contracts but had been issued with new contracts six months ago with lesser terms and conditions and had not agreed to sign them.

3.1.6 The inspectors noted that there were no documented roles and responsibilities for staff apart from the CEO. The Finance and Sponsorship Director contends that a detailed role and responsibility document is in existence for all the roles in the Finance and Sponsorship Department, but the inspectors were not provided with copies of these documents. The only other documents provided to the inspectors which describe roles and responsibilities are from questionnaires completed by three staff members as part of a review carried out by Former CEO 2 in 2018. The Finance and Sponsorship Director completed one of these questionnaires. The detailed roles and responsibilities described for this role appear to contain a number of similarities to the roles and responsibilities as undertaken by the CEO. Therefore, from our review, it would appear that two members of management were performing a similar role, at high cost to the charity. As cost levels in CFI are not sustainable given the current income stream, reassessment of these roles and their cost to the charity was and remains vital.

3.1.7 Our observations in this area are corroborated by three separate reports submitted to the Board: Dr Ann Nolan's Report in August 2017, the Hyland Report in October 2018 and the Nexia Smith & Williamson Report in October 2019. Each report found the level of resources at senior management level to be excessive and disproportionate to the size and complexity of the organisation.

3.1.8 The inspectors analysed the staff costs of CFI from January 2017 to May 2020 and found as a percentage of overall staff costs the combined cost of the CEO and Finance and Sponsorship Director broke down as follows:

Staff	2017	2018	2019	Jan-May 2020
CEO	34%	13%	31%	34%
Finance and Sponsorship Director	23%	30%	28%	31%
Management Costs as a % of Total Salaries	57%	43%	59%	64%

3.1.9 The inspectors noted that staff cost as per audited accounts are €366,461, €305,140 and €293,245 for the financial years ended June 2017, 2018 and 2019 respectively, and for each of these years the company declared a deficit. In each of these years the Board commissioned and received reports which indicated that management costs were excessive and disproportionate to the size and complexity of the charity.

Board Response to Reports highlighting excessive management costs

3.1.10 The Ann Nolan Report noted that the employment of two management staff at "*high level salaries"* to manage a project team of 3.4 whole-time-equivalents "*is excessive and may be considered tantamount to mismanagement of public funds, not least because there is unwarranted duplication of a leadership function and pay scales in excess of their grade given the very small size of the project team".[1]* The Report recommended that the Board "*align the CEO role with a project management/project co-ordinator pay scale consistent with the size of the organisation and address the unnecessary appointment of a deputy leadership position"1.* The Board took no action to address the issue of excessive management costs at this time.

3.1.11 The Hyland Report in October 2018 also addressed the issue of staff costs and noted that for the equivalent of five full time staff (200 hours per week) 25% of staffing hours were management staff which make up 51% of costs (at that time). The report recommended the position of Deputy CEO/Finance Director be made redundant immediately and the Communication Officer within four to six months.[2]

3.1.12 The Board meeting minutes from 26th November 2018 note a letter of redundancy was to be issued to the Deputy CEO. In the subsequent Board meeting minutes from 17th January 2019 "*It was agreed that the roles for Programming and Communications would not be required in a scaled down operation."* The Communications Officer was made redundant in September 2019. There is no mention of the redundancy of the Deputy CEO in the Board minutes.

3.1.13 At interview Board members generally agreed that a decision had been made to make the Deputy CEO redundant on foot of the Hyland Report, however several Board members were unclear as to why that redundancy had not been implemented.

3.1.14 In February 2019 in a written statement to the Charities Regulator, in response to queries raised, the Chair stated, "*the wage bill has been significantly reduced, the CEO and Deputy CEO are now on reduced salaries and the Deputy CEO will go on a part time salary of €15,000 following the completion of this work*." Our analysis of the payroll records for the period under review i.e. 1st January 2017 to May 2020, does not show any significant reduction in the salaries of the CEO and Deputy CEO (or Finance and Sponsorship Director).

3.1.15 The Nexia Smith & Williamson Report in December 2019 also noted that the "*level of resources at senior management grade would appear to be excessive and disproportionate to the size and complexity of the organisation*." It recommended that *"the structure of the*

[1] Report by Dr. Ann Nolan commissioned by the ChildFund Board and submitted on 10th August 2017 paragraph 3.2.1
[2] Report by Kevin Hyland ChildFund Ireland Review October 2018 page 20

organisation be reviewed to assess opportunities to rationalise the salary costs associated with the management of the organisation".[3]

3.1.16 The Board of Childfund have a duty to act in the best interest of the Charity. The inspectors found that the Board did not act in a timely manner on the recommendations in these reports and rationalise the management of ChildFund Ireland to one management position with expertise in child protection or early child development at a pay scale consistent with the size of the organisation.

3.2 Board Governance

Response to Review Reports

Ann Nolan Report

3.2.1 The Ann Nolan report was mentioned at two Board meetings, in August 2017 when first presented and then in November 2018. The report, in addition to recommendations to reduce the excessive expenditure on management resources, also identified deficits in organisation strategy and policy, competency, leadership, value for money, Programmatic Policy and Strategy, Technical Support for Early Child Development Education (ECDE) and Child Protection, Targeting of the most vulnerable and Results based Management[4].

3.2.2 Board meeting minutes from 3rd August 2017 discuss the draft Ann Nolan Report on policy and programmatic options completed by Ann Nolan. At this time the Board expressed interest in pursuing consultancy options with Ann Nolan. We note no further discussion at this time of actions being taken in response to the recommendations contained in the report.

3.2.3 The next mention of the Ann Nolan report is in Board meeting minutes of 26th November 2018, following the resignation of Former CEO 2. The Board agreed to prepare a bullet point live document headlining the key decisions and initiatives they have taken as a series of steps across 2017 / 2018, starting with the Irish Aid application in 2017, moving into the Ann Nolan report and the subsequent key actions made by the Board around best practice in procedures, protocols and fiduciary duties. We note that this document was never completed.

3.2.4 At interview Board Members were asked what their response as a Board had been to the statement in the Ann Nolan Report that "*The CEO, the deputy CEO and the Board of Directors have absolutely no experience or technical expertise in child protection or early child*

[3] Report by Nexia Smith & Williamson commissioned by the ChildFund Board (following engagement with the Charities Regulator) Section A.2 page 13
[4] Report by Dr. Ann Nolan 10th August 2017, paragraphs 3.1.1 to 4.2.7, pages 37-39

development which one would expect in an organisation apparently dedicated to the provision of these services to vulnerable children living in the poorest regions of the world." [5]

3.2.5 In general, the Board Members response was that Former CEO 1 declared his intention to retire and a decision was made that the Board would recruit a replacement CEO who had the required skills. However as is noted elsewhere in this report the Candidate Briefing Document prepared for the recruitment of the replacement CEO did not list experience or technical expertise in child protection or early child development as a requirement for the role.

3.2.6 Of the six Board Members (current and resigned) who were interviewed only one acknowledged the lack of experience and technical expertise in child protection or early child development on the Board and there was no evidence that any steps were taken to upskill members of the Board in this area or to seek to attract trustees with appropriate skills.

3.2.7 The Ann Nolan report identified the technical and project management skills that were lacking in the organisation. It also noted that there was poor communications and public relations with funders and ChildFund and that Childfund had an inability to produce basic project documents like business plans or partnership agreements[6]. It is recommended that these functions should be sourced.

3.2.8 The report further identified that the partnership with ChildFund International is a very complicated structure that is not good value-for-money. The report suggested that the model incurs multiple administrative charges which results in up to 64% of the (Irish Aid) annual grant being utilised for salaries and administrative costs. It recommended that ChildFund Ireland urgently review and renegotiate the on-granting mechanism with ChildFund International to realise a leaner structure that reduces layers of administrative costs and duplication of salaries[7].

3.2.9 The Ann Nolan report identified a disconnect between some members of the Board and the Executive as to the identity and mission of ChildFund Ireland. The report also noted that Board members appear to have had no induction to the work of the organisation and report a lack of clarity around operational procedures. It noted that Irish Aid had also raised a concern regarding the appointment of members of the Executive to subcommittees of the Board of Directors, which means that the oversight function of the Board is effectively compromised. It recommended a strategic and organisational review and that a competency assessment be undertaken as a first step in identifying the organisation's knowledge and skills requirements. The inspectors have reviewed the Terms of Reference (ToR) of the Finance and Audit Sub Committee dated 4th September 2014 and the revised ToR dated 2nd December 2019 and

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[5] Report by Dr. Ann Nolan 10th August 2017, paragraph 3.2.2 page 12
[6] Report by Dr. Ann Nolan 10th August 2017, paragraph 3.2.2 page 13
[7] Report by Dr. Ann Nolan 10th August 2017, paragraph 3.3 page 17

noted that both versions state "*The membership shall consist of the Chairman of the Board of Directors, the Chief Executive and one other director*".

3.2.10 The Ann Nolan report further noted the scope of unregulated authority delegated by the Board to Former CEO 1 and stated, "*This has been problematic not least in terms of oversight and strategic engagement by the Board which is not at the level that it should be in ChildFund Ireland"*.[8] It recommended a governance audit be conducted which should prioritise clear breaches of good practice.

3.2.11 As is noted elsewhere in this report, the inspectors noted from minutes of the 78th Meeting of the Board of Directors on 3rd August 2017 that "*it was agreed to reduce the current financial authorisation levels from €20,000 to €5,000"* however we do not see evidence that this was communicated to staff until an email sent to some staff on 20th August 2018.

3.2.12 At interview Board members commented that at the time of the Ann Nolan Report they had raised concerns about how the Board meetings were directed. "*It was very much guided by the then CEO (Former CEO 1) who controlled what was said and what wasn't. He was a very strong character and contributions were somewhat not encouraged*."

3.2.13 In response to the Ann Nolan report presented to the Board in August 2017 the Board sought to fill the skills deficit in the organisation by recruiting a new CEO "*with the necessary skill set and expertise in administration communications and public relations to lead the organisation, who would have the ability and capacity to develop with the Board and a strategic plan and communications strategy for the organisation going forward from 2018*". It is noted that the role of CEO was not filled until 1st August 2018.

3.2.14 The inspectors obtained a strategic plan for ChildFund Ireland for the years 2014 – 2018. A strategy planning document from August 2018 was obtained that outlines a process introduced by ChildFund Ireland to develop strategy through collaboration. It appears that the introduction of this planning process was meant to use staff collaboration to come up with a strategic plan going forward. It is noted by the inspectors that no plan was developed and ChildFund Ireland currently has no strategic plan in place.

3.2.15 The deficit in technical and project management skills was dealt with in the short term by engaging an independent Consultant to identify specific regions and operations where funding would be most effective, to perform a context analysis and assist in compiling the application to the Irish Aid Civil Society Fund. The inspectors noted no permanent measures or actions taken by the Board in this area.

[8] Report by Dr. Ann Nolan 10th August 2017, paragraph 3.2.3 page 15

3.2.16 The inspectors noted no action taken by the Board of ChildFund on the issue of poor communications and public relations by ChildFund with its funders and no long term solution to their inability to produce basic project documents like business plans or partnership agreements.

3.2.17 The inspectors noted no action by the Board of ChildFund Ireland on the issue of the partnership with ChildFund International resulting in up to 64% of the annual grant being utilised for salaries and administrative costs.

3.2.18 The inspectors found no evidence of an induction programme for directors, that members of the Executive still attend subcommittees of the Board of Directors and that there is no evidence of a competency assessment being undertaken by ChildFund. The inspectors note that Former CEO 1 and the current Board Members contend that they have been inducted and trained appropriately however the inspectors were not provided with evidence of this.

Hyland Report

3.2.19 The Hyland report was submitted to the Board of Directors in October 2018 by the newly appointed CEO (Former CEO 2). The main points of the report included the issues of unsustainable income mixed with excessive administrative costs (including travel, hospitality, and subsistence), poor financial governance, and a culture of unaccountability allowing excessive and inappropriate spending to take place. The inspectors noted that, as CEO, Former CEO 2 placed a temporary ban on the CFI credit card and required prior approval for all travel and subsistence expenses.

3.2.20 Former CEO 2 resigned in November 2018 and in his resignation letter to the Board of Directors expressed his repeated concerns over the use of funds, in particular those recorded as being at restaurants or hotels. He stated that he had expressed these concerns at the Board meeting in September 2018 and believed it best for an impartial investigation to be conducted into the use of these funds to establish or disprove if any public charity donations or public taxpayer funds were inappropriately used and if so, by whom and to what extent.

3.2.21 At interview Former CEO 2 stated that their understanding was that the Finance and Sponsorship Director "*ran the day to day stuff*". On joining the organisation they enquired from the Finance and Sponsorship Director about policies and processes and supporting documents for expenditure. They stated that they "*couldn't get any solid answers in the first month and that was quite a challenge at times*". They noted a culture of non-accountability for expenditure. Former CEO 2 specifically noted particular expenditures by the Finance and Sponsorship Director that had no supporting documents. When they queried this the Finance and Sponsorship Director had stated that the expenditures had been authorised by the Chair, which the Chair subsequently denied. The inspectors note that the Finance and Sponsorship Director disputes that they were not forthcoming in providing answers or information.

3.2.22 The Hyland Report recommended an updated policy on authorization and accountability of all expenses and expenditure in line with Charity Regulator guidance as it found issues in this area. This included the requirement for Board approval of certain expenditure.

3.2.23 The report recommended that all international travel require prior authorization by submission of a report to the Board highlighting justification, number of people travelling and estimated cost and a report to the Board on return.

3.2.24 The report also recommended improvements to the procurement process, general finance polices and sourcing alternative office accommodation.

3.2.25 On staffing the report recommended a review of all roles, the immediate redundancy of the Finance and Sponsorship Director and the Communications Officer within 4 to 6 months. It also recommended improvements in staff policies, new contracts and support mechanisms.

3.2.26 The report further recommended increased Board participation with a Professional Standards lead on the Board, increased Board oversight and monitoring of expenditure and staff absences and a review of all credit card usage and petty cash expenditure for the past two years.

3.2.27 Former CEO 2 also stated at interview that once they had established the issues as outlined in their report they had discussed them with the Chair at a meeting in New York of ChildFund International, where the Chair had agreed to report the issues to the Charities Regulator when they returned to Dublin. However when they returned to Dublin, Former CEO 2 believed that the Chair had changed his mind and decided to "*soldier on*". The inspectors note the Chair at interview disputes this version of events.

3.2.28 Former CEO 2 stated the view that at this time their recommendations were being diluted, that issues were being "*covered up"* and therefore they decided to leave.

3.2.29 The inspectors note from the minutes of the Board meeting following the resignation of Former CEO 2 that the Boards response was to request the company auditors, Gannon Kirwan Somerville (GKS), to carry out a review of the expenditure that had been brought to the attention of the Board by Former CEO 2.

3.2.30 GKS were engaged to perform a review of CFI's expenditures for the years ended 30 June 2017 and 2018. The examination focused mainly on petty cash and credit card expenditures by Former CEO 1 and the Finance and Sponsorship Director. Their opinion referred more directly to the c. €2k entertainment and gift expenditure for Former CEO 1's retirement, stating that it was not excessive in terms of comparison to organisations of similar size. GKS concluded overall, in a letter to the Chair on 16th December 2018, that the expenditure was not excessive, that the amounts were not material and that they do not consider that any of the expenses examined could ever be included in the category of wrongdoing.

3.2.31 We note from the January 2019 meeting, "*It was agreed that there should be no expenditure made without sign off from Chair or Board*." We note, however, that there was no detail of levels of expenditure that would require sign off and that this was not stated in any formal (policy or procedures) documentation.

Nexia Smith & Williamson Report

3.2.32 During July and August 2019 Nexia Smith & Williamson ("S&W") were commissioned by the Board of ChildFund Ireland (following engagement with the Charities Regulator) to carry out a review of ChildFund's operations, governance structures and expenditure for 2017 and 2018 to determine the effectiveness of controls in respect of that expenditure. The inspectors noted the Boards decision to appoint S&W in the minutes of the Board meeting dated 28th June 2019. Their report found many of the deficiencies as identified in the previous reports. It noted that whilst some of the weaknesses in ChildFund Ireland's design and operation of controls in place during the period under review had been addressed there were some remaining which still needed to be addressed.

3.2.33 S&W found no current strategic plan, an ineffective Finance and Audit Committee with limited Terms of Reference (ToR), an out of date and ineffective Board Charter, a lack of appropriate procedures to deal with conflicts of interest and loyalties, that issues raised in the 2017 (Ann Nolan) review in regard to financial structure and governance had still not been addressed. The S&W report also noted the following observations:

- Documented procedures were not evidenced in regard to recruitment, training, development, support, supervision and appraisal for staff members.

- The level of resources at senior management was still excessive and disproportionate to the size and complexity of the organisation.

- Issues at Board level with regard to skill shortages, lack of documented procedures for administration of Board meetings and a need for a review of Board effectiveness.

- Issues still existed in documentation around expenses claims and the use of corporate credit cards and excessive ATM withdrawals on debit card.

3.2.34 We note that while some changes were made following the release of the S&W report, there are many recommendations that do not appear to have been implemented as is noted in our review.

The CEO Position

3.2.35 The inspectors have seen evidence that Former CEO 1 tendered his letter of resignation to the Board in July 2017, yet the position was not filled until 1st August 2018. It was noted in the Board meeting minutes of 3rd August 2017 that two named Board members would be responsible for CEO succession planning following Former CEO 1's retirement at the end of 2017 and that the role would be defined on foot of the strategic review. We note no further discussion of the strategic review in the Board meeting minutes subsequent to the 3rd August 2017 meeting.

3.2.36 The AGM minutes of CFI from December 2017 note that the Board has engaged "2 into 3", a not-for-profit consulting practice, to begin the process of CEO recruitment. The inspectors have had sight of a Candidate Briefing Document prepared by "2 into 3", dated January 2018 which would indicate that they were engaged to assist in the recruitment of a new CEO. Board members at interview could not provide a satisfactory explanation as to why it took a year to fill the CEO position.

3.2.37 The inspectors noted from a review of the Candidate Briefing Document that the skills deficit of the previous CEO identified in the Ann Nolan Report *"no experience or technical expertise in child protection or early child development*" was not listed as a requirement for the role.

3.2.38 The inspectors queried Board members at interview as to the leadership structure of CFI from Former CEO 1's retirement in December 2017 to Former CEO 2's commencement in August 2018. The Chair and Board Member 3 at interview stated that the Finance and Sponsorship Director was Acting CEO from January to August 2018. The Finance and Sponsorship Director at interview stated that the Directors asked her to take on a "*caretaker role*" from January 2018 until the CEO position was filled. The inspectors noted the minutes from the December 2017 AGM state that "*Deputy CEO … will act in a caretaker capacity until the new CEO appointment is made*." However from interviews with former Board members and documents provided to the inspectors it would appear that there was a dispute at Board level about the validity of those minutes. Former Board Member 2 stated at interview and in an email to the Chair in February 2018, that when presented with the draft minutes of the 2017 AGM, which had been written by the Finance and Sponsorship Director, the minutes falsely stated that the Finance and Sponsorship Director had been appointed as Acting CEO. Former Board Member 2 stated in their email to the Chair in February 2018 that the appointment "*was not agreed, decided, signed off, proposed, seconded. It didn't happen".* The inspectors note from email records that in February 2018 the Chair requested the Finance and Sponsorship Director to amend the AGM minutes to include the statement that the "*Deputy CEO … will act in a caretaker capacity until the new CEO appointment is made*."

3.2.39 At interview Board members were queried as to whether it had been considered to appoint the Finance and Sponsorship Director to the CEO role permanently. The Board members who were involved in the recruitment process stated that the Finance and Sponsorship Director did not have the skillset required for the role.

Board Makeup and Tenure

3.2.40 The inspectors were provided with a Board Charter which states it was approved and adopted at the Board meeting of 2nd December 2019. However there is no note in the minutes of its approval and adoption. We also note that the Charter does not provide for lines of communication between the Board, CEO and staff.

3.2.41 ChildFund currently has four Board Members three of which have surpassed the term limit laid out in that Board Charter, the other member being in place since February 2015.

3.2.42 The Charter states, *"The skill mix for the Board will be reviewed periodically but should ideally comprise expertise in advocacy, HR, governance, accounting, commercial law, marketing, fundraising and international development. Directors will be expected to have sufficient competence to deal effectively with current and emerging issues affecting ChildFund, to critically evaluate the strategies and plans for ChildFund, to challenge the performance of management, and to exercise independent judgment*." We note from review of Trustee bios in the annual reports, that the skills and experience meet the mix as stated in the Board Charter. However we find no evidence of periodic review of this skill mix during the period under review. It is also noted that the deficiency in the Board skills as identified by the Nolan report in 2017 that "*the Board of Directors have absolutely no experience or technical expertise in child protection or early child development which one would expect in an organisation apparently dedicated to the provision of these services to vulnerable children living in the poorest regions of the world"* has still not been addressed.

3.2.43 The inspectors note that two Trustees resigned in December 2018. At interview both stated that prior to their resignation both had indicated verbally and by formal letters to the Chair that they were unhappy with the corporate governance of the organisation. They identified issues around general Board governance, the procedures, the management and operational control around expenditure, the management of ChildFund as a going concern and the financial management and control of the organisation. The inspectors have seen evidence of multiple communications from these two Former Board Members to the Chair and Board on these issues.

3.2.44 It would appear that, as a result of this correspondence from these two former Board members to the Chair, they were given assurances that the issues identified would be addressed. The minutes from the Board meeting of 26th November 2018 note that the Chair resigned but was requested to stay on the Board as a Director of CFI until the AGM. They were replaced by Board Member 2 as Acting Chair. The Former Board members committed to working with the Acting Chair "*on a clear plan of action*". As is noted below there is a dispute as to when the next Board meeting occurred. Draft minutes provided to the inspectors by the Former Board members, for a meeting on 7th December 2018 note that the previous Chair stated "*the meeting will be taking place with me as Chair*". The minutes then state that the previous Chair requested that the Acting Chair stand down. There was no vote or discussion with fellow board members and the Acting Chair agreed to stand down. The minutes provided to the inspectors by CFI as the next Board meeting minutes after the 26th November meeting are dated 17th January 2019 and state that the meeting on 7th December 2018 was not a formal board meeting but that the Board ratified decisions taken at that meeting one of which was "*At the start of the meeting. (previous Chair) withdrew his resignation letter and was appointed Chairman again. The Board thanked (Board Member 2) for acting in the interim"*. Both Trustees did not feel they were in a position to contribute further as Board Members and resigned. The minutes of 17th January 2019 note the resignation of the two Board members with effect from December 11th. Other than that, no changes were made to the makeup of the Board or the way in which the Board is monitored. We find no evidence of a review of the effectiveness of the Board during the period under review.

3.2.45 It was recommended by S&W that a skills audit and trustee succession plan be implemented, but there is no evidence of that. Additionally, a formal induction programme was recommended to be implemented, but currently there is only an induction manual that was last updated in January 2009.

Accuracy and Timeliness of minutes

3.2.46 At interview several Board members expressed their concerns about the timeliness and accuracy of Board meeting minutes. The inspectors also had sight of a letter from Board members to the Chair in September 2018 where one of a number of concerns expressed was that the minutes from Board meetings were not promptly circulated, the decisions and views of the Board members were not noted or actioned and that the minutes did not accurately reflect discussion and concerns expressed at the meetings.

3.2.47 The inspectors were provided with a copy of minutes, signed by the Chair, of a Board meeting alleged to have taken place on 31st December 2017 at which Porema Ltd was appointed as company secretary. There is no record of this meeting taking place in the official record of minutes provided to the inspectors by CFI and individual Board members listed as present at this meeting state they were not there.

3.2.48 At interview several Board members stated that minutes would be issued three months after Board meetings and would not be an accurate reflection of the meeting. This they stated was raised a number of times at Board meetings. They also stated that during the tenure of Former CEO 1 they had raised with the Chair concerns about the Board meetings being directed by Former CEO 1 who controlled what was said and what wasn't.

3.2.49 The inspectors were provided with documents that indicate that minutes of Board meetings have been amended retrospectively. It would appear from documents submitted and interview statements by Board members that a Board meeting on 7th December 2018 at which the Chair withdrew his resignation was reclassified as a strategy meeting and not recorded as a formal Board meeting.

3.2.50 Board members also noted at interview the lack of timeliness in the provision of financial information, management accounts and budgets to the Board. They stated that this information was not provided in advance of Board meetings along with other Board papers but a copy of accounts was physically handed to them at the Board meeting giving them no time to appropriately review the information.

Board oversight

3.2.51 In general at interview the inspectors found a lack of clarity on behalf of the Board as to the role of the Finance and Sponsorship Director. The Finance and Sponsorship Director themselves stated that they had been appointed as Deputy CEO in 2015 due to medical problems experienced by Former CEO 1 at that time. Former CEO 1 and the Chair at interview agreed that this was correct. At interview Former CEO 2 also stated that the Finance and Sponsorship Director had been introduced to him as the Deputy CEO on his first day. The Chair also stated that the Finance and Sponsorship Director was not a bank signature, yet the inspectors have evidence that she is co signature on all the bank accounts. With the small size of the organisation and the length of tenure of the Board Members the inspectors would expect the Board to be more aware of the functioning of the organisation which each member of the Board had a duty of care towards.

3.2.52 The following points were contained within the Travel & Subsistence Policy updated in January 2014:

- Expense forms must be completed by the employee who has incurred the expense, and to whom reimbursement is to be made.
- The CEO will authorise expenditure legitimately incurred on behalf of ChildFund Ireland, and that there is sufficient supporting documentation.
- Staff expenses must be authorised by the Finance Controller or Chief Executive.

- The Chief Executive’s expenses should be authorised by a Board Member (as per financial procedures).

3.2.53 From this we note that the above documented requirements were in place prior to the Travel and Subsistence policy being updated in February 2019. These controls within the policy are intended for the Board of Directors to exercise oversight of how the charity's assets are being used.

3.2.54 As is noted elsewhere in this report, the bulk of travel and subsistence related expenditures was during the tenure of Former CEO 1 (ending in December 2017) and the Finance and Sponsorship Director acting as interim CEO (ending in July 2018). The Board states in the meeting minutes from 12 February 2019 "*In general, Directors say they were not aware he (Former CEO 1) was claiming expenses when on the very odd occasion they had been in his company and indeed they had incurred expenditure themselves which would never be reimbursed.*" As per the outlined points above, the CEOs expenses should have been authorised by the Board of Directors. The inspectors found no evidence of the CEOs expenses being authorised by the Board of Directors and at interview all Board Members acknowledged that they had never been presented with or asked for the CEOs expenses to authorise.

3.2.55 As is noted elsewhere in this report a series of large expenditures were incurred in connection with the retirement lunch and dinner for Former CEO 1, in December 2017. At that time the organisation had a deficit of €12,436. The total expenditure for the retirement lunch, dinner, and gift was €2,774 which represented 22% of that deficit. The inspectors note screenshots of text messages from the Chair to the Finance and Sponsorship Director approving €600 of this expenditure on a farewell gift however the inspectors found no evidence of Board approval for this expenditure. At interview the Board Members stated that approval for this expenditure did not come to the Board. They stated they were aware of the farewell party as they had attended but were not aware of the additional lunch which had occurred and that they were not aware of the level of expenditure or of the deficit. The Finance and Sponsorship Director noted that the Chair of the Board was aware of and approved the expenditure, but apart from the €600 farewell gift the inspectors did not receive any evidence to this effect.

3.2.56 Although an updated Travel & Subsistence Policy (2019) is currently in place, the previous version indicates that certain controls were in place for the Board of Directors to have oversight over expenditures of ChildFund Ireland's CEO during the time period of 2017 and 2018. As already noted, the Directors stated that they were unaware of Former CEO 1's expenditures and reimbursements even though the control was intended to avoid just that.

3.2.57 The strategic plan expired in 2018. A Review and Strategy planning document overview was produced by Former CEO 2 in August 2018. There is no evidence of any further action in this area. There is no strategic plan currently in place.

3.2.58 We note that there is a conflict of interest policy in place which was last reviewed and updated in January 2014. Conflict of interest is now on the agenda at all Board meetings but there is still a need to update this policy and include more comprehensive details of protocols and procedures to deal with conflicts of interest and loyalties where they arise and a greater consideration of the issue of the receipt of gifts and hospitality.

Finance & Audit Sub-Committee

3.2.59 At interview Board Member 1 stated that the committee was composed of the Chair, themselves and the CEO. When queried as to whether the Finance and Sponsorship Director attended these meetings, he responded that "*She would have sat in on some of them in the early years, certainly. In more recent times she hasn't sat in on any of them, for a number of years I would say* ". However the inspectors were provided with the minutes of all meetings of this committee in the period under review, of which there were only three, in February 2017, May 2017 and December 2019, and confirmed that the Finance and Sponsorship Director was present at all meetings. The Finance and Sponsorship Director noted that the executives attended these meetings to provide information to the Committee.

3.2.60 It is noted that the Board did not have an appointed Treasurer. Although at interview the Chair referred to Board Member 1 as the Treasurer, Board Member 1 did not believe himself to hold that role. The inspectors have reviewed the Terms of Reference (ToR) of the Finance and Audit Sub Committee dated 4th September 2014 and the revised ToR dated 2nd December 2019 and noted that both versions state "*The membership shall consist of the Chairman of the Board of Directors, the Chief Executive and one other director*". There is no mention of the role of Treasurer.

3.2.61 The inspectors noted the following from the limited information in the minutes of the three Finance and Audit Sub-Committee meetings:

- At the February 2017 meeting Former CEO 1 reported on the balances of the bank accounts, Tax back received and an overview of sponsorship numbers from 2010 to date. Board Member 1 presented an update on budget v actual for a 6 month period. We found no evidence of examination of overhead expenditure levels.
- At the May 2017 meeting Former CEO 1 once again reported on bank balances, Tax back and an overview of sponsorship numbers from 2010 to date but did not report on overheads. Board Member 1 reported that the Management Accounts were not yet available for budget v actual comparison.
- At the December 2019 meeting the Credit card, Petty cash and nominal ledgers were brought to the meeting and reviewed along with supporting paperwork.

3.2.62 The inspectors reviewed the minutes of the 21 Board meetings which occurred between February 2017 to December 2019 to establish if the work of the Finance and Audit Sub-Committee was, as stated at interview, discussed at the full Board meetings. The inspectors established that the funding and programme expenditure was discussed at all meetings and that an update was given on actual v budget position. However the inspectors confirmed that until the Hyland report was presented to the Board on 10th October 2018 the subject of overhead expenditure was not mentioned at Board meetings.

3.2.63 The inspectors note that although the ToR of the Finance and Audit Sub-Committee was updated in December 2019, the membership of the Sub-committee still includes the CEO, the quorum is one member of the Board and the CEO and it does not include oversight of the remuneration and expenses of management.

3.2.64 As all previous reports have highlighted the lack of oversight of the expenditure of management, and that management membership of a Sub-Committee which should be overseeing its activities is inappropriate, the inspectors consider the ToR to be unsuitable.

Budgets

3.2.65 At interview both the Chair and Board Member 1 stated that the budgets were prepared once a year and every quarter an actual v budget comparison was conducted; however as is noted above there were only three documented meetings of the Finance and Audit Sub-Committee during the period under review: 16th February 2017, 4th May 2017 and 2nd December 2019. At interview Board Member 1 stated "*There was so much going on really that all got consumed up into the main Board meeting….any of these issues got discussed in front of the full Board rather than the sub-committee*". No Board Member at interview could recall any instance at Board meetings of the levels of travel and subsistence expenditures being queried or reviewed.

3.2.66 It was also acknowledged by all Board members at interview that there was not appropriate oversight by the Board of financial matters. Individual Board members at interview when queried whether quotes were obtained as required for purchases above €500, were unclear as to what the purchase limit was and stated that they were unaware if purchases went to tender or whether policies in this area were adhered to.

Zambia Trip

3.2.67 The inspectors queried the Board members at interview about a trip by the then CEO, the Finance and Sponsorship Director and her daughter (a non-staff member) to Zambia in March 2017 which cost over €6,300. Most Board members could not recall the particular trip or authorising the spend and state that they were unaware that a non-staff member had travelled at the expense of the charity. The inspectors noted from a review of the Board meeting minutes in February 2017 that the trip to Zambia was mentioned but that only the attendance of Former CEO 1 and the Finance and Sponsorship Director was stated. The inspectors note mention of the Zambia trip in the Board meeting minutes from May 2017 when the participation of the Finance and Sponsorship Director's daughter is mentioned. At interview former Board members stated they were informed of the participation of Finance and Sponsorship Director's daughter retrospectively and understood that they had funded their own travel and were not aware that it had been funded by the charity. Former CEO 1 stated at interview that he appointed the daughter of the Finance and Sponsorship Director as a Junior Ambassador to bring books on the trip to children in Zambia, although no formal recruitment or appointment procedure was followed for this role.

Role of Finance and Sponsorship Director

3.2.68 The inspectors noted a lack of clarity at interview on behalf of the Board Members and the CEOs on the role of the Finance and Sponsorship Director (at times referred to as the Deputy CEO) in relation to the finances of the organisation. Interim CEO stated that the Finance and Sponsorship Director would attend all the finance meetings as she prepared the nominal ledger and *"does all the payments and things like that".* The Interim CEO also stated at interview that the Finance and Sponsorship Director is the sole controller for the one debit card and one credit card for the organisation. The Finance and Sponsorship Director at interview stated that they were responsible for sponsorship finance and that the CEO is responsible for finance within the organisation. Former CEO 1 stated that they were responsible for day to day expenditure and ensuring that anything spent was receipted appropriately.

Recruitment and Selection

3.2.69 The Recruitment and Selection Policy was last reviewed and updated in January 2014 and does not include issues of staff development and training. We also note that no staff handbook has been implemented.

3.2.70 As is noted elsewhere in this report, at interview the inspectors established that the Finances and Sponsorship Relations Administrator was not recruited as per the CFI Recruitment and Selection Policy. Their position was not advertised and they were not interviewed for the position. They are a friend of the family of the Finance and Sponsorship Director who contacted them and offered them the position. They have a current contract of employment.

3.2.71 The inspectors noted through a review of payroll records that six people were paid through payroll in 2019 and 2020 who were not listed on the staff organisation chart provided by ChildFund. At interview the Finance and Sponsorship Director was asked about these people three of whom had been paid €1,995, €7,306 and €7,857, respectively up to the end of May 2020. The Finance and Sponsorship Director stated that the six people were recruited informally by her, they were people she knew and she didn't go through the official recruitment process as it was an emergency and they needed people fast. When asked what the emergency was she stated, "*We normally have a particularly busy period in the Autumn when we send out a Christmas appeal and it leads to additional great volumes of processing*". When asked if this was an annual event how was it an emergency, as in something which could not be predicted and planned for and recruited as per the policy, the Finance and Sponsorship Director stated that as two permanent staff had left the organisation in late 2018 and February 2019 they needed help.

3.2.72 At interview the Interim CEO also confirmed that the Finance and Sponsorship Director had personally sourced the six staff noted and stated that "*at Christmas we send out a Christmas letter which leads to an awful lot of processing and we bring in temporary staff for that*". However the inspectors noted through a review of the payroll records from January 2017 to May 2020 that 2019 was the first year this "*emergency recruitment*" had occurred and that two of the six staff were still on the payroll in March 2020. As the Christmas Appeal is an annual event the inspectors fail to understand how the need for additional staff could not be predicted and normal procedures for recruitment and selection adhered to.

3.2.73 The inspectors also note that the issue of agreeing contracts for current staff has not been resolved by the Board.

3.2.74 The Board of Directors uses the Irish Development NGO's Code of Corporate Governance as their code of conduct. The keys items in this document to note are:

- Board Leadership: The role of the Board - Directors have and must accept ultimate responsibility for directing the affairs of their organisation, ensuring it is solvent, well-run, and delivering the outcomes for which it has been set up.
- Board Accountability: Internal Controls - The Board should maintain and regularly review the organisation’s system of internal controls, performance reporting, policies, procedures and its need for an internal audit function.
- Board Responsibilities: The Chief Executive - The Board should make proper arrangements for the supervision, support, appraisal and remuneration of its chief executive.

3.2.75 The Board holds ultimate responsibility for the actions of all staff within the organization. As previously noted, lack of oversight of certain charity operations and being *"unaware*" of the use of funds is contrary to what the Code of Corporate Governance sets outs. In regard to internal controls, our review has indicated that certain policies and procedures are out of date and current versions are not being appropriately implemented.

3.2.76 The Board Charter includes Board responsibilities to "*operate ChildFund in a manner that balances long term sustainability of the organization, growth in donor funds and maximizing the amount of donor money that reaches children in need, having special regard for the need to retain an adequate reserve of funds to cover contingencies"*. Fulfilling this responsibility requires adequate oversight of the use of funds intended for the charities purpose. As discussed there appears to be numerous issues with Board oversight. Ultimately, the Board has a fiduciary duty to oversee the use of all charitable assets.

3.3 Internal financial controls

3.3.1 Documented internal financial controls provided to the inspectors by ChildFund Ireland consisted of:

- Summary of Financial Procedures last updated in June 2008
- Travel and Subsistence Policy reviewed and updated January 2014
- Travel and Subsistence Policy reviewed and updated February 2019
- Cash Lodgement Manual undated
- Cash Manual undated
- Credit Card Payments Process undated
- Direct Debit Process undated
- Standing Order Manual undated
- Procurement Policy
- ChildFund Ireland Employee Code of Business Conduct

3.3.2 The inspectors found that the Summary of Financial Procedures last updated in June 2008, states "*All transfers other than grants and sponsor related, or transfer between ChildFund accounts, exceeding €20,000, must be approved in advance by the Chairperson (verbal approval is sufficient)".* We noted that this was amended in the Board meeting minutes from 4th May 2017 to "*before external bank transactions are processed in excess of €20k, an email will be sent to (Board Member 1) outlining the transaction. (Board Member 1) will confirm approval by email and then the transaction will be processed. Internal bank transfers will be excluded"*. In an email from 11th May 2017 staff were advised of this change, that Board Member 1 of the Finance and Audit Committee was appointed "*approver"* for all transfers in excess of €20,000. The staff were instructed prior to requesting the CEO to make a transfer in excess of €20,000 to seek approval from Board Member 1 by email for the transfer and to forward same to the CEO. It is unclear from this note in the minutes as to whether internal transfers exceeding €20,000 still required approval in advance by the Chairperson or did not require any approval. However the instruction to staff was that all transfers in excess of €20,000 should be approved by Board Member 1. It is noted that no amendment was made to the Summary of Financial Procedures document which could have clarified the matter.

3.3.3 The inspectors noted from minutes of the 78th Meeting of the Board of Directors on 3rd August 2017 that *"it was agreed to reduce the current financial authorisation levels from €20,000 to €5,000"* however we see no evidence that this was communicated to staff until an email sent to some (not all) staff on 20th August 2018.

3.3.4 While there is evidence of these changes via Board meeting minutes we see no evidence that the Summary of Financial Procedures document was updated to reflect these changes. We also noted that the policy does not state how often it is to be reviewed and approved, and by whom.

3.3.5 The inspectors note a reference in the Summary of Financial Procedures document to ChildFund's remuneration policy however we found no evidence of the existence of such a policy.

3.3.6 The Travel and Subsistence (T&S) Policy documents relevant responsibilities, expenditure and approval limits, and appropriate claims in regard to T&S and ChildFund Ireland credit card expenses. Two versions of this policy are applicable to the timeline of this investigation. The policy was updated in January 2014 with a further policy update in February 2019. We noted the key differences between the 2014 T&S Policy and the version updated in 2019 were that the 2014 version did not include the following:

- Responsibilities
- Type of expenditures in scope
- Guidelines on credit card usage
- Petty Cash Advance Section

3.3.7 As the 2014 policy does not include responsibilities and the type of expenditures in relation to T&S claims, the design of the controls were poorly established. We noted a lack of documentation around the proper usage of credit cards. We also noted a requirement for the completion of an expenses claim form but as is documented further in this report we found no evidence of its use. This policy does not state how often it is to be reviewed and approved, and by whom.

3.3.8 The 2019 T&S policy covers all types of expenditure within ChildFund Ireland as well as authorisations and procedures for claiming expenditures through an expense form. We noted the inclusion of the ChildFund Ireland credit cards as a paragraph at the end of the policy. Credit card usage is covered by the same authorisation guidelines as T&S expenses. We found that detail on the appropriate (and inappropriate) use of the ChildFund Ireland credit cards as well as what sort of purchases (and how much) require prior authorisation is lacking. We noted that initial sign off of credit card statements began in January 2019 under the Interim CEO. This practice is not documented as a requirement within the credit card policy. As is documented further in this report we found no evidence that the expense claim form required by this policy was put into practice. The policy does not state how often it is to be reviewed and approved, and by whom.

3.3.9 The inspectors noted in the minutes for the 88th Board Meeting which took place on 12th February 2019: "*All expenditure policy matters will be up to date upon approval at this Board* *of updated T&S policies*." However there is no indication in the Board Minutes that the Board approved the 2019 T&S policy.

3.3.10 The Cash Lodgement Manual documents procedures for lodging cash donations received in the form of cash, cheque, postal order and draft. There is no documented segregation of duties in this process. This document is undated and does not state how often it is to be reviewed and approved, and by whom.

3.3.11 The Cash Manual documents procedures for entering cash donations onto spreadsheets for monthly donation records. There is no documented segregation of duties in this process. This document is undated and does not state how often it is to be reviewed and approved, and by whom.

3.3.12 The Credit Card Payments Process documents procedures for processing and accounting for credit/debit card donations received. There is no documented segregation of duties in this process. This document is undated and does not state how often it is to be reviewed and approved, and by whom.

3.3.13 The Direct Debit Process documents procedures for processing and accounting for direct debit donations received. The Bank is sent a copy of the original direct debit form and so the bank intermediary acts as line of control. There is no documented segregation of duties within ChildFund in this process. This document is undated and does not state how often it is to be reviewed and approved, and by whom.

3.3.14 The Standing Order Manual documents procedures for processing and accounting for standing order donations received. There is no documented segregation of duties in this process. This document is undated and does not state how often it is to be reviewed and approved, and by whom.

3.3.15 Although the inspectors note in the Board minutes of 13th October 2019 "*The company have implemented the €1,000 approval limit for the CEO*" we find no evidence of policy document update to support that change.

3.3.16 The Procurement Policy was last updated in September 2016. The inspectors noted the policy required three quotes for purchases above €500, that purchases from a sole source shall be explained in the purchase file and stated that there can be no conflict of interest, personal interest, between ChildFund Ireland and their suppliers.

3.3.17 The inspectors were provided with a letter from two Board members to the Chair of the Board from September 2018 expressing their concern at the management and governance of the Board. In it one of the matters raised was the purchase of five PCs without Board approval. In the Board minutes from 18th July 2018 the Finance and Sponsorship Director reported that "*5 office PCs have now been purchased. This purchase had previously been discussed and agreed with the Finance Committee*". The inspectors found no evidence of a previous discussion or agreement by the Finance Committee and Board members at interview stated that there had been no preapproval of this purchase and the announcement at the July meeting was their first awareness of the purchase. On review of purchase records the inspectors found the following computer purchases:

- 29/10/17 one PC €791.11
- 01/03/18 one Server €5,984.29
- 15/07/18 five PCs €3,026.66
- 04/08/18 one PC €605.33

3.3.18 The inspectors found no evidence of three quotes being obtained for any of these purchases or an explanation in the purchase file for purchase from a sole source, as required by the Procurement Policy. The need for the Server purchase is noted in the Executive Report to the 8th March 2018 Board Meeting which notes that the "*purchase is approved by the Finance Sub-committee"*, however the inspectors found no minutes of a Finance Sub-committee meeting to confirm this and it is not noted as approved in the Board minutes. The retrospective mention of the purchase of the five PCs in the July 2018 minutes is the only mention of these purchases at Board meetings.

3.3.19 At interview the Finance and Sponsorship Director stated that she did not get three quotes as she got an employee discount from Dell. The inspectors were informed at interview that the brother-in-law of the Finance and Sponsorship Director works for Dell. The inspectors noted no conflict of interest declaration in relation to this purchase.

3.3.20 The inspectors were provided with the ChildFund Ireland Employee Code of Business Conduct. This document outlines very general contractual and implied responsibilities of CFI employees pertaining to the working environment, confidentiality, CFI property and facilities, etc. We were also provided with the ChildFund Alliance Code of Conduct. This document lays out the common values and commitments of ChildFund members and their participants. Relevant items to note within this document are honesty and integrity, which includes accountability to all parties. As an overall finding, we note that the ChildFund Ireland Employee Code of Business Conduct does not include points regarding standards of integrity or the fiduciary duty of employees.

3.3.21 The inspectors noted the absence of the following policies:

- Remuneration Policy
- Loans Policy
- Assets and Investment policy including Fixed Asset policy
- Monitoring Policies to include Management Accounts requirements, comparison of budget vs actual financial results, financial reporting updates

3.4 Income & Management of Funding

3.4.1 CFI reports financial matters on a July to June financial year.

3.4.2 Income for the period under review was as follows:

Income	2017	2018	2019
Sponsorship income	659,416	617,678	559,339
Designated gifts	81,849	82,414	78,760
Income tax refunds	246,021	214,711	150,335
Voluntary other income	25,516	30,135	64,098
Irish Gov grants	474,923	28,494	250,000
Other grant Income	12,342		
Total Income	1,500,067	973,432	1,102,532

3.4.3 At interview the Interim CEO stated that funding sources are currently Sponsorship income, Irish Aid grant and support from ChildFund International. The Finance and Sponsorship Director stated that the funding sources were sponsorship income and tax rebates and that the organisation did not currently have any outside grants. The Programme Coordinator stated that both Bank of Ireland and Irish Aid had suspended all funding pending the investigation. The last grant received from Irish Aid, noted above in the 2019 accounts was €250,000 on 26th October 2018. The grants from Bank Of Ireland Group Staff World Fund, allow for a 10% administrative fee which is included under Voluntary other income. For 2019 the total funding received from Bank of Ireland was €38,542. The inspectors have seen evidence that €34,805 was transferred to ChildFund Ethiopia, and €3,737 was retained under voluntary other income as an administrative fee.

3.4.4 The inspectors were provided with details of the six bank accounts held by ChildFund. Five are with Bank of Ireland and one with Permanent TSB. It is noted that the Finance and Sponsorship Director along with a Board Member is the co-signature on all six bank accounts. The Finance and Sponsorship Director also provided the inspectors with details on the purpose of each of the six bank accounts.

3.4.5 BOI account 4267 is known as the "Main account". Most Standing Orders from sponsors, all Credit Card receipts, all Direct Debit receipts, all cash lodgements, tax rebates and other receipts come into this account. Currently all supplier payments are made from it and all (apart from one) standing orders/direct debits with service providers.

3.4.6 BOI account 0327 is known as the "small account". At the start of the period under review its balance was €18,794 and €8,929.96 at 15th June 2020. Transactions into this account were a small amount of standing orders from sponsors that ChildFund was unable to move to the main account and grants from Bank Of Ireland Group Staff World Fund. The grants were paid out to the relevant ChildFund project in, for example Ethiopia or Uganda, as per written agreements seen by the inspectors, less the agreed 10% administration fee retained by ChildFund. The other regular payment out of this account is a monthly standing order of €301.30 to the auditor for the processing of CFI's payroll. The inspectors also noted €20,000 transferred out of this account on 22nd March 2019 to the main account. The inspectors noted email authorisation from Board Member 1 for the transfer but no Board approval. As is noted at 3.3.2 this requirement is unclear.

3.4.7 The inspectors were informed that BOI account 7441 is exclusively for Irish Aid funding and other major donor transactions. At the start of the period under review its balance was €19,132.80 and €52,269.77 at 6th December 2019. Under a contract with Irish Aid ChildFund received €250,000 in grant funding for the "Best Start for Life" project in Ethiopia. The Annexes to the application state that 10% may be used for indirect expenditure. This contract ran from 1 October 2018 to 30 September 2019. We note the receipt of €250,000 on 26th October 2018 and payment to the project of €56, 532.47 on 17th December 2018. In a letter from the Department of Foreign Affairs (DFA) on 14th November 2019, the DFA stated that the contract had lapsed and unused funds shall be returned. We see the €170,000 in funds returned in two payments of €85,000 each during December 2019. We note that the funds were returned within 3 months of the end of the contract as stipulated in the contract. In Board meeting minutes from 2nd December 2019, the Board approves the return of funds to Irish Aid and indicates that CFI are retaining the 10% administration allowance. From our review, it appears that Irish Aid related income and payments are processed through CFI's "Irish Aid account", BOI account ending 7441. Payments out were mainly to "INTL FC STONE LTD" and EBURY PARTNERS UK, global payments service providers. We are therefore unable to confirm that payments out were sent to the contracted recipient. The Board Members state that these payments were to Childfund International and that receipts are available to confirm this however evidence to support this was not provided during the investigation.

3.4.8 BOI account 2020 is a US$ account. It was opened in November 2015 to avoid currency fluctuations. At the start of the period under review its balance was €4,891 and at 12th June 2020 the balance was €4,448.95. There has been very little activity in this account,

3.4.9 PTSB account 9195 was opened in June 2014 in order to avail of €100,000 government guarantee scheme. €100,000 was transferred from BOI account to PTSB account as €100,000 guarantee scheme applied per depositor per credit institution. The inspectors noted for the period under review the account commenced with €100,000 and closed with €107. In April and September 2019 amounts of €50,000 and €50,400 respectively were transferred from this account to the Main account. The inspectors noted email approval from Board Member 1 for these transfers. The inspectors reviewed Board minutes from March 2019 to October 2019 and noted no Board approval for these large transfers until 10th October 2019 when the transfers are mentioned retrospectively. This would concur with statements given by former Board Members at interview where they stated that financial decisions were made and that the Board was informed retrospectively. It would also align with the letter of concern of September 2018 from two Board members to the Chair where they mention a number of financial decisions taken without Board approval.

3.4.10 BoI account 8946 is a Notice Deposit account, with a minimal balance and no activity in the period under review. The inspectors were informed it was set up by ChildFund to get better interest rates.

3.4.11 The inspectors noted from a review of Board minutes that a decision was taken by the Board in September 2016 to reduce the percentage of sponsorship funds used on activities on the ground directly advancing the charity's charitable purpose. Prior to that decision 80% of sponsorship funds was used on activities on the ground directly advancing the charity's charitable purpose and 20% retained to cover organisational costs. The Board decided to "*temporarily change the split to 70/30*" with 70% used on activities on the ground directly advancing the charity's charitable purpose and 30% retained by the organisation.

3.4.12 For the year ended 30th June 2017 CFI reported in its audited accounts "*Sponsorship expenditure comprises 70% of sponsorship income with the remaining 30% being transferred to unrestricted funds. Designated gifts comprise 100% of amounts received for that purpose. 10% of other grant income is allocated to unrestricted funds*." The inspectors found no evidence of this change in the distribution of sponsorship funds being communicated to sponsors other than this note in the annual accounts as part of the Annual Report. The inspectors queried Board members at interview as to whether there had been any consideration given by the Board to communicating this change in distribution to sponsors and all agreed that there had not.

3.4.13 As is noted from the figures above the three main sources of income for the organisation have been sponsorship, income tax refunds and Irish government grants. The inspectors therefore reviewed the recording of these sources of income.

3.4.14 Income from Irish Aid is based on submissions made following a call for applications. A written contract is established with Irish Aid and forms the basis for the funding received. The funding provided allows for 10% to be allocated to administration costs. This funding appears to be appropriately recorded and reported on as required in the contract. As is noted in previous reports a brief assessment of the salary costs and time required to make a submission and once successful to manage and administer a funded project would suggest that participation in such projects requires supplementary funding from other financial resources of the organisation. The inspectors found no evidence of a value for money assessment of this funding source.

3.4.15 From the CFI website “How your Sponsorship helps” “*As soon as sponsorship funds arrive at the project, there is a robust system of checks and balances to make sure that the funds are used, as planned, for the benefit of the sponsored children.”*

3.4.16 The inspectors were informed that sponsorship income in its various forms of Standing Orders, Credit Card payments, Direct Debits, cash lodgements, and tax rebates are deposited in the Main Account. We therefore reviewed one month of income and payments processed through this account from each of the three years under review to determine the accuracy of internal records kept at ChildFund Ireland. As is noted elsewhere in this report in our review of internal financial controls for many of the processes for receipt of income there is no segregation of duties in these processes.

3.4.17 As is noted elsewhere in this report the inspectors noted no action on the issue of the partnership with ChildFund International resulting in up to 64% of the annual grant from Irish Aid being utilised for salaries and administrative costs. The inspectors found no evidence of a value for money assessment of this relationship.

3.5 Use of the Charity's Assets

The inspectors considered whether the charities assets are only used to carry out its charitable purposes as set out in the charity's governing document and that any private benefit was reasonable, necessary and ancillary for that purpose, whether the funds of the charity have been misappropriated or misused, and whether any expenditure incurred was wholly and exclusively for the purposes of the charity in achieving its charitable purpose and supported by sufficient documentation.

	Year Ended 30/06/2017	Year Ended 30/06/2018	Year Ended 30/06/2019
Income	€	€	€
Sponsorship income	659,416	617,678	559,339
Designated gifts	81,849	82,414	78,760
Income tax refunds	246,021	214,711	150,335
Voluntary other income	25,516	30,135	64,098
Irish Gov grants	474,923	28,494	250,000
Other grant Income	12,342		
Total Income	**1,500,067**	**973,432**	**1,102,532**
Programme Expenditure			
Sponsorship	471,006	432,154	392,839
Designated Gifts	81,849	82,414	78,760
Grants	422,985		225,000
Total Prog Exp	**975,840**	**514,568**	**696,599**
Operating Costs			
Staff costs	366,461	305,140	293,245
Travel & Sub	18,322	11,881	1,601
Other Cost	151,881	183,595	151,431
Total Operating Costs	**536,664**	**500,616**	**446,277**
Total Expenditure	**1,512,504**	**1,015,184**	**1,142,876**
Deficit for the Year	**-12,436**	**-41,752**	**-40,344**
Assets	694,126	353,805	508,475
Liabilities	- 470,974	- 172,405	- 367,419
Net Assets	223,152	181,400	141,056

As can be seen above the financial position for the past three years shows a deficit each year.

The inspectors examined expenditure from 1st January 2017 to 22nd May 2020 and found:

3.5.1 45 taxi journeys incurred by the Finance and Sponsorship Director totalling €849.75 between January 2017 and July 2018 which were to and from a residential area, mostly during the morning and evening commute. At interview the Finance and Sponsorship Director maintained the Former CEO 1,*" approved the taxi budget for me"* to commute to work.

3.5.2 At interview Former CEO 1 confirmed that they had approved a taxi budget for the Finance and Sponsorship Director to commute to and from work and that Benefit-in-kind tax had not been applied to this benefit. The inspectors also found no evidence of this benefit being approved by the Board.

3.5.3 During the Period January to December 2017, a total of €2,470.88 was incurred by the Former CEO 1 in motor expenses when using the company car. Only 15 out of 33 transactions had supporting documentation and there was no indication of Board approval on any transactions.

3.5.4 After the departure of the Former CEO 1 the inspectors noted no further expenditure on motor expenses by the charity in the period under review.

3.5.5 The inspectors noted a sharp decrease in expenditure in the T&S categories from CFI's reporting year ended 30th June 2018 at €13,493.92 to reporting year ended 30th June 2019 at €1,600.60. That is from the commencement of the tenure of Former CEO 2.

3.5.6 Further analysis of the expenditure in the T&S categories indicates a large portion on food and meals in restaurants. From January 2017 to July 2018 the Finance and Sponsorship Director's credit card expenditure on food was €3,812.19. This included meals, some of which are noted in the narrative as being attended by the Former CEO 1 (post retirement). Of the 84 incidents of expenditure on food by the Finance and Sponsorship Director, using the company credit card, none were supported by an expenses claim form, only one was supported by a detailed receipt and 12 were supported with a visa receipt only. The remaining 71 expenditures had no supporting documents.

3.5.7 The inspectors noted in the analysis of expenditure in the T&S categories for the calendar year 2017, Former CEO 1's credit card expenditure on food and meals in restaurants was €4,265.85. Of the 47 incidents identified none were supported by an expenses claim form, two were supported by a detailed receipt and 13 were supported with a visa receipt only. The remaining 32 expenditures had no supporting documents.

3.5.8 A review of credit card statements and receipts provided from January 2017 to April 2020 indicates that no expenditure was supported by an expenses claim form as required by the T&S Policy and only 37% (154 out of 417) of expenses (including CEO expenses) included backup documentation. Due to this lack of supporting documentation, we are unable to determine if certain expenses were for charitable purposes. As already stated, there is no indication of approval of expenses by the CEO/Board or for CEO Expenses by the Board on any of the documentation provided prior to January 2019.

3.5.9 At interview Former CEO 1 and the Finance and Sponsorship Director were queried about why there was so much expenditure on meals in restaurants. Former CEO 1 stated that he brought sponsors or potential sponsors out for lunch and that his "*motivational style*" was to bring staff out for meals. He also stated that when he brought staff out for meals he would split the bill between his own credit card and the charities credit card. As is noted elsewhere in this report the inspectors have found that subsequently Former CEO 1 would then reimburse himself in some cases from petty cash for the portion paid on his own credit card.

3.5.10 The Finance and Sponsorship Director at interview when queried about the expenditure on meals stated that meals out with Former CEO 1 were necessary as *"if we needed to discuss something the way his office is located, it was not very private. It is right in the middle of the building and you can hear everything from everywhere so if any management discussions had to take place, it was better not to have them in his office."* The inspectors queried all staff and Board members at interview about the layout of the CFI building and whether private meetings were possible. All those interviewed apart from the Finance and Sponsorship Director agreed that due to the layout of the building and the three separate floors, private meetings were possible both in the CEO's office and in the meeting room on the top floor.

3.5.11 The inspectors found that the Summary of Financial Procedures last updated in June 2008, states "*All transfers other than grants and sponsor related, or transfer between ChildFund accounts, exceeding €20,000, must be approved in advance by the Chairperson (verbal approval is sufficient)*". As is noted elsewhere in this report the inspectors found no evidence of approval of expenditure exceeding €20,000 in the Board minutes for the period under review until October 2019.

3.5.12 As is noted elsewhere in this report in the minutes of the October 2019 Board meeting the company implemented an approval limit of €1,000 for the CEO. Prior to that change in approval limits taking place in October 2019, the Board of Directors only approved expenditures and transfers greater than €20,000. The T&S policy dated January 2014 and the updated T&S policy dated February 2019 both state the CEO's expenses *"should be authorised by a Board Member*". The inspectors note no indication of the approval of CEO expenses in the minutes of CFI Board meetings until October 2019. A statement declaring CEO expenses approved by the Chairman did not appear in the meeting minutes until this time. In the Board meeting minutes from 12th February 2019 it notes "*In general, Directors say they were not aware* (Former CEO 1) *was claiming expenses when they had been in his company and had incurred expenditure themselves which would never be reimbursed*." This would indicate that the Board had very little oversight over the expenses being claimed, but instead the CEO had most of the control for authorisation and approval of expenditures. As discussed above, this lack of oversight also occurred during the Finance and Sponsorship Director's tenure from December 2017 to July 2018.

Bonus

3.5.13 The inspectors queried Board members at interview as to whether staff were paid any bonuses. All indicated to their knowledge bonuses were not paid. The inspectors noted through examination of credit card records that in December 2017 €3,500 was spent on One 4 All gift cards with a note on the receipt stating €500 for each staff member. However eleven cards were purchased and at that time there were seven staff employed, 3 full time and four part time. The inspectors queried this expenditure with Former CEO 1 at interview who stated that he imagined it was probably for staff. The inspectors further queried whether this level of expenditure was appropriate considering the financial strain the organisation was under. Former CEO 1 stated that he considered it necessary to "*keep the staff motivated*".

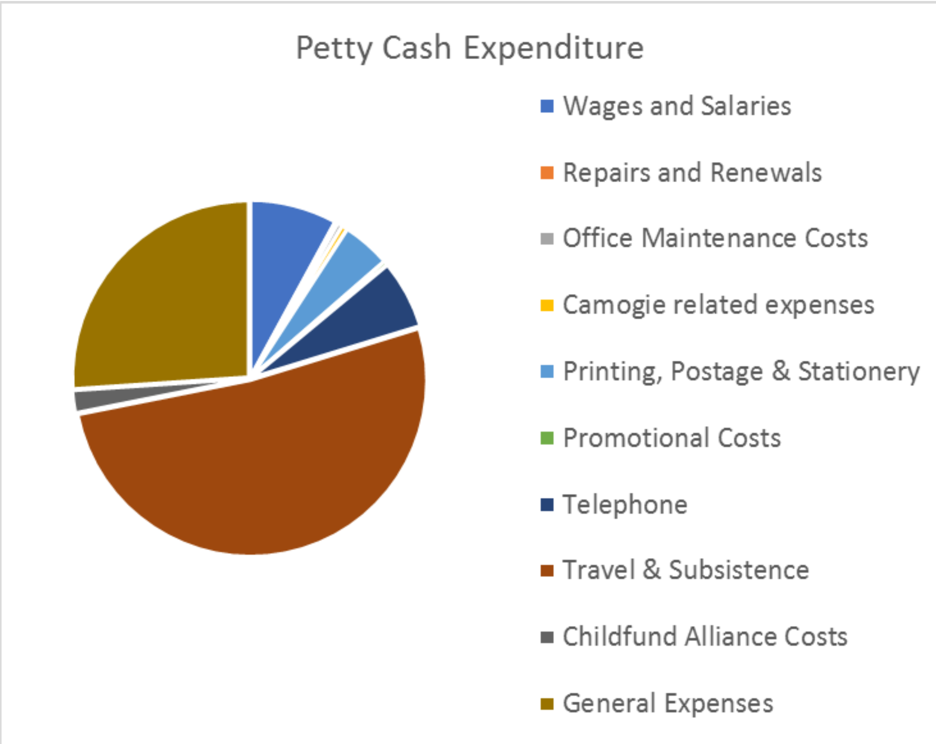
Zambia Trip

3.5.14 As is noted elsewhere in this report Former CEO 1, the Finance and Sponsorship Director and her daughter (a non-staff member) travelled to Zambia in March 2017 at a cost of over €6,300 to the charity. At interview Former CEO 1 was queried about the expenses associated with the trip to Zambia as the inspectors noted that it had involved three nights in Dubai, at two five star hotels, Le Méridien Dubai Hotel for one night on the journey out and the Avani Deira Dubai Hotel for two nights on the return journey. Former CEO 1 stated that on the return journey he "*was feeling rather unwell*" and that the Finance and Sponsorship Director and her daughter were tired so he decided that they should stay an extra night. However the inspectors have had sight of the booking for the Avani Deira Dubai Hotel and notes that the two night stay was booked two days in advance of the stay. The inspectors therefore conclude that this two night stay in Dubai at the expense of the charity was a planned one and not one required by a sudden illness.

Petty Cash

3.5.15 Petty Cash Expenditures 1st January 2017 to 22nd May 2020:

Expense	Amount	%
Wages and Salaries	€1,240	7.95%
Repairs and Renewals	€40	0.26%
Office Maintenance Costs	€70	0.45%
Camogie related expenses	€80.60	0.52%
Printing, Postage & Stationery	€689.82	4.42%
Promotional Costs	€60	0.38%
Telephone	€978.66	6.28%
Travel and Subsistence	€8,049.25	51.62%
Childfund Alliance Costs	€320	2.05%
General Expenses	€4,065.07	26.07%
Total Petty Cash Expenditure	**€15,593.40**	



3.5.16 The Petty Cash policy is within the Travel and Subsistence Policy. The policy dated January 2014 and February 2019 both state that "*Expenditure up to €10 can be claimed through petty cash. Amounts in excess of this must be made on an expenses claim form. Requests for petty cash amounts greater than €10 require five working days notice.*"

3.5.17 The inspectors found no evidence of the use of expenses claim forms and noted that for the period under review 79.5% (in number) of the petty cash withdrawals were over €10. At interview Former CEO 1 stated that they were responsible for 90% of the petty cash withdrawals and that they did not adhere to the €10 policy and did not use an expenses claim form. At interview the Finance and Sponsorship Director acknowledged that she held the debit card from 2018 onwards and also did not adhere to the €10 policy.

3.5.18 The Petty Cash policy updated in February 2019 included a requirement that the maximum amount of petty cash to be maintained at any one time is €400. However the inspectors noted two ATM withdrawals on 1st and 2nd of July 2019 in the amounts of €500 and €700 respectively noted in the Nominal Ledger as being petty cash withdrawals. As confirmed at interview the Finance and Sponsorship Director was the holder of the sole debit card from 2018 onwards.

3.5.19 The inspectors noted in practice it appeared the Petty Cash account operated by using cash withdrawn from ATMs for petty cash expenses. In addition to cash, we observed the use of personal credit cards for expenses deemed "petty cash" expenses. We noted the personal credit cards of the Former CEO 1 and the Finance and Sponsorship Director were used frequently and it appears expenditure on these cards were reimbursed with the cash taken from ATMs. Our Petty Cash analysis consisted of tracing each petty cash transaction using support from CFI's petty cash records and supporting documentation, nominal ledgers, bank statements and credit card statements. By doing so, we could determine the nature and appropriateness of the use of petty cash funds.

3.5.20 Our analysis indicates from 1st January 2017 to 30th June 2018 there was a combined €508.29 surplus in Petty Cash i.e. withdrawn from ATMs and not receipted as a petty cash expense.

3.5.21 In July 2019 we note payments from Petty Cash to (a friend of the son of the Finance and Sponsorship Director) (€360) and (the son of the Finance and Sponsorship Director) (€435) for hours worked which we see no evidence of being processed through payroll and therefore no taxes applied.

3.5.22 On 3rd November 2017 we note an entry in the T&S nominal ledger account for €441.70 with the description "*To (Former CEO 1) - for $500 for petty cash*". We note a withdrawal of that amount from the bank account on that date however we find no supporting documents for this expenditure.

3.5.23 The inspectors noted an expenditure on 11th January 2017 for €82.80 to New Chai Yo Asian Restaurant was made using the CFI Credit Card and expensed as T&S. We noted that this transaction appears again on 13th January 2017 as T&S, but in the Petty Cash account. The supporting documentation confirms that the transaction was made with the CFI credit card and should not have affected the Petty Cash account. Former CEO 1 could not provide an explanation at interview as to why the credit card receipt was used twice to support this expenditure.

3.5.24 In the area of restaurant expenditure the inspectors also noted the following anomalies which Former CEO 1 at interview could not explain:

- A transaction on 15th February 2017 for €121.20 (again for New Chai Yo) was made using the Former CEO 1's personal credit card and expensed to petty cash. A second transaction for €80 was made on the same day at the same restaurant with the CFI credit card.
- Two Transactions, both for €26 were made at the same restaurant (Matt the Thresher) on consecutive days (1st and 2nd March 2017) using Former CEO 1's personal credit card, expensed through T&S and reimbursed from Petty Cash. Two transactions were also made at this same restaurant for €30 and €26 on 8th March 2017, both using the CFI credit card and expensed through T&S.
- From review of supporting documentation we noted that a charge of €67.90 to the Petty Cash account on 15th June 2017, using Former CEO 1's personal credit card, included a charge of €9.70 that was made using the CFI Credit Card.
- A transaction on 19th December 2017 for €130 was made using the CFI Credit Card and expensed as T&S. We note that this transaction appears again as T&S, but as a credit to the Petty Cash account. The supporting documentation confirms that the transaction was made with the CFI credit card and should not have affected the Petty Cash account.

3.5.25 Anomalies with Petty Cash records in Year ended 30 June 2019:
During this period, there were ATM withdrawals of €1,500 and Petty Cash expenses of €2,460.59, resulting in a deficit of €960.59. Per CFI records the starting balance of the Petty Cash account at 1st July 2018 is €31.32. Per the 2019 nominal ledger the starting balance is €341.63. We also noted during this period in the nominal ledger dated 30/09/18, there is a Dr. General Expense and Cr. Petty Cash for €800 with the description "P Cash Cheques". The inspectors were advised by the Interim CEO that this was a journal entry which should have been reversed but was not..

Retirement of Former CEO 1

3.5.26 The inspectors found, from the CEO's report to the Board meeting on 7th September 2017, that Former CEO 1 had, on the 24th July, formally submitted to the chairman their notice of retirement. "*Allowing sufficient time for handover or as decided by the Board following strategic review*".

3.5.27 The inspectors noted a series of large expenditures in connection with the retirement of Former CEO 1, in December 2017. The total expenditure for the retirement lunch, dinner and gift was €2,774. The company had a deficit of €12,436 that year. The total expenditure for the retirement lunch, dinner, and gift represented 22% of deficit. The inspectors found no evidence of Board approval for these expenditures, with the exception of screenshots of text messages between the Finance and Sponsorship Director and the Chair approving the farewell gift of €600.

3.5.28 As is noted elsewhere in this report at interview the Board Members stated that approval for this expenditure did not come to the Board. They stated they were aware of the farewell party as they had attended but were not aware of the additional lunch which had occurred and that they were not aware of the level of expenditure or of the deficit.

3.5.29 Former CEO 1 received the option to buy the company car from CFI on their departure from the position of CEO. The market value of the car at this time was €14,000. CFI wrote off €4,250 of the value of the car as a termination payment expense and the Former CEO 1 purchased the car from CFI for €9,750. This was facilitated by CFI providing an ex-gratia termination payment to the Former CEO 1 of €10,000. The inspectors found no evidence of Board approval for this asset disposal or retirement payment.

3.5.30 At interview the Chair stated that it was their understanding that the car was given to Former CEO 1 in place of an ex gratia payment of about €6,000 due to Former CEO 1. Former Board Member 1 stated it was their understanding that the car was fully depreciated at that time. Former Board Member 2 stated that after the last Board meeting with Former CEO 1 there had been a discussion about hours owed to Former CEO 1 but that there was no formal agreement about the car or hours owed. Board Member 3 stated that they saw figures they understood were provided by the auditor that indicated what Former CEO 1 was entitled to in terms of holidays, the value of the car and the net benefit and that the Directors were aware of the agreement to give Former CEO 1 the car. Board Member 2 stated that they were aware of the arrangement to give Former CEO 1 the car in lieu of annual leave payments due *"latterly*". Board Member 1 stated the car was given to Former CEO 1 in lieu of annual leave entitlement and a "*historical arrangement*" for an ex gratia payment.

3.5.31 The inspectors noted expenditures on meals with the Former CEO 1 and the Finance and Sponsorship Director totalling €634 from January to June 2018. When queried at interview about the business purpose of this expenditure the Finance and Sponsorship Director stated "*maybe once a month approximately, after he had left and I was meeting him to help me deal with the matters that he used to deal with before as the CEO because I was given a caretakers authority by the Board during the gap while we recruited the new CEO, so I needed (Former CEO 1's) assistance at times."*

Office Space

3.5.32 The office at 22 Windsor Place, along with the right to use two car parking spaces, was leased for 10 year term starting on 22nd October 2012 for an initial rent of €26,500 per annum (lease signed by a named Board Member/Director and Former CEO 1 as Company Secretary) Per the rent review on 9th May 2018, the rent was increased to €45,000 (Memorandum of Rent Review signed by the Chair). Based on dimensions available online for the property next door we note the property is a three story building Ground Floor 53.03sqm, First Floor 45.96sqm, Second Floor 59.38sqm. The lease describes ground floor with lobby, two offices, a storage area, kitchenette and WC. The first floor contains an office, kitchen, Comms Room and WC. The second floor contains an office and WC.

3.5.33 The inspectors noted from the minutes of a Board meeting on 26th October 2017 that the Board was advised that the lease on the offices at 22 Windsor Place was due to expire and that a property consultant had "*been engaged in relation to this and negotiations around it*". At that time, based on payroll and contract information provided by CFI the inspectors noted there were seven staff employed, four part-time and three full-time. The Chair at interview stated that the Board "*was aware that it* (the premises) *was too big for our needs".*

3.5.34 The inspectors noted from minutes of Board meetings from January to June 2019 discussions on the cost of office rent, exit options to be explored and subletting options. However in the Board minutes from 18th July 2019 it is noted that the office space move did not take place.

3.5.35 The status of the rental issue was queried with the Interim CEO. He indicated that CFI has a charity rate for the current lease that allows a three month rent reduction of 30%. He stated that CFI attempted to move and was considering a serviced office alternative, however this produced no savings. CFI attempted to find a replacement tenant, but this fell through. Penalties of breaking the lease were too substantial for the move to go ahead. Currently, the open regulatory and investment issues leave CFI unable to commit to a new lease. He also stated there is a break clause in the lease for 2021, at which point CFI will begin to discuss a new lower cost alternative with CFI International.

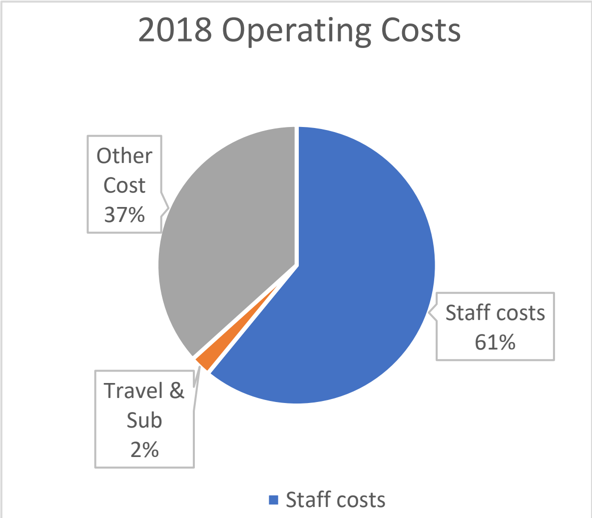
3.5.36 The inspectors have reviewed bank records of rental payments and note that since the rent review in May 2018 which resulted in an increase in rent, up to and including May 2020 there has been no reduction in rent.

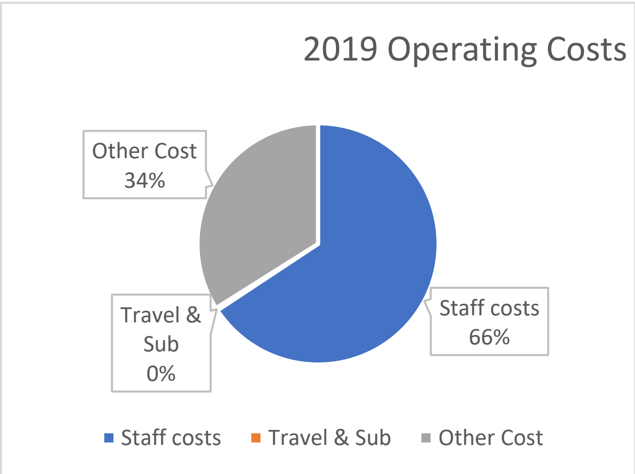
Rent Costs	2017	2018	2019
	26,502	42,515	45,002

Income v Expenditure

3.5.37 Analysis of income versus expenditure for CFI in the Financial Year ends June 2017, 2018 and 2019 shows a significant level of income was expended on operating costs, with 36% in 2017, 51% in 2018 and 40% of income in 2019 expended on operating costs.

3.5.38 The inspectors also note that the percentage of operating costs which is composed of staff costs is 68%, 61% and 66% respectively.





4. Conclusions

4.1.1 One of the key duties of Trustees is to ensure that they act in the best interests of the charity. The inspectors found that the Board of ChildFund Ireland may have failed in its duty to act in the best interests of the Charity by not acting in a timely manner on the recommendations in three separate reports received by the Board: Dr Ann Nolan's Report in August 2017, the Hyland Report in October 2018 and the Nexia Smith & Williamson Report in October 2019. Each report found the level of resources at senior management level to be excessive and disproportionate to the size and complexity of the organisation and recommended rationalising the management of ChildFund Ireland to one management position with expertise in child protection or early child development at a pay scale consistent with the size of the organisation. The inspectors noted that staff cost as per audited accounts were €366,461, €305,140 and €293,245 for the financial years ended June 2017, 2018 and 2019 respectively, and for each of these years the company declared a deficit. The inspectors noted the Board has not reduced the number of staff at management level and when recruiting to replace the CEO in 2018 did not list experience or technical expertise in child protection or early child development as a requirement for the role.

4.1.2 The Charity Trustees have a duty to carry out their functions with due skill and care. The inspectors found the Board of ChildFund Ireland may have failed to respond in an appropriate or timely fashion to other issues of concern raised and recommendations made in each of the reports which were commissioned. The Ann Nolan report in 2017, identified multiple deficits in organisation strategy, policy, skills and governance and made recommendations to address these deficits. The inspectors found the Board did not act on these recommendations in a timely and comprehensive manner. The Hyland report then followed in 2018. It identified issues of unsustainable income mixed with excessive administrative costs (including travel, hospitality, and subsistence), poor financial governance, and a culture of unaccountability allowing excessive and inappropriate spending to take place. The inspectors note the recommendations in this report were also not acted upon by the Board in a timely and comprehensive manner. The Nexia Smith & Williamson Report, which was commissioned by the Board, following engagement with the Charities Regulator, followed in 2019. Their report found many of the deficiencies as identified in the previous reports. The inspectors note that while some changes were made following the release of the S&W report, there are many recommendations that do not appear to have been implemented. The inspectors query the rationale for the Board not acting in a timely manner on the recommendations of reports from three different parties in three successive years advising on similar issues.

4.1.3 The Charity Trustees have a duty to ensure that charitable assets/funds are used to further the Charity's charitable purpose. The inspectors found a lack of sufficient Board oversight and challenge in respect of financial matters, an inappropriate financial governance structure where the CEO had most of the approval authority and responsibility for internal control, and an ineffective Finance & Audit Subcommittee which only met on limited occasions and had an inappropriately defined scope of work. The inspectors noted three meetings of the Finance & Audit Subcommittee in the period under review, that the Finance and Sponsorship Director and the CEO attended all these meetings and that its ToR does not include oversight of the remuneration and expenses of management.

4.1.4 The Charity Trustees have a duty to ensure that the Charity is carrying out its charitable purposes for the public benefit. The inspectors found evidence of inadequate oversight by the Board and Finance & Audit Subcommittee of credit card and travel expenditure, procurement and purchase approvals, retirement expenditure, bonuses and recruitment practices within ChildFund that is inconsistent with key governance principles.

4.1.5 The Trustees have a duty to manage the Charity's resources responsibly. The inspectors found due to the inadequate oversight of the Board during the period under review the Finance and Sponsorship Director was allowed to make decisions that are not in accordance with the documented policies and procedures of the charity. This is evidenced by the recruitment of seven persons by the Finance and Sponsorship Director to the organisation contrary to the Recruitment and Selection policy during 2018 and 2019. The excessive and inappropriate spending on restaurants, travel and accommodation during the period under review by the Finance and Sponsorship Director and the purchase of computer equipment between October 2017 and August 2018 contrary to the requirements of the procurement policy.

4.1.6 The Trustees have a duty to ensure that charitable assets/funds are used only to further the Charity's charitable purpose. The inspectors found during the period under review, excessive and inappropriate spending on restaurants, travel and accommodation by Former CEO 1 which went unchallenged by the Board. Despite a requirement in the charity's policies that the CEO's expenses be authorised by a Board Member, the inspectors found no evidence of the CEOs expenses being authorised by the Board of Directors and at interview all Board Members acknowledged that they had never been presented with or asked for the CEOs expenses to authorise.

4.1.7 The Trustees have a duty to manage the Charity's resources responsibly. The inspectors found 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);
- expense forms;
- income recording and monitoring;
- credit card expenditure;
- petty cash;
- overheads e.g. excessive rental costs;
- procurement and purchase approvals;

- the payment of bonuses; and
- fixed asset use i.e. gifting of the charity car to Former CEO 1.

Such weaknesses in financial controls created significant financial and reputational risk to the charity.

4.1.8 The Charity Trustees have a duty to carry out their functions with due skill and care. 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 strategic plan;
- maintenance of accurate minutes and timely provision to the Board of same;
- no formal Board training or induction processes;
- absence of documentation of staff roles and responsibilities and current employment contracts;
- communications and public relations with its funders;
- oversight of funding arrangements and value for money assessment;
- identified skills deficit at Board level not addressed;
- Board members exceeded tenure as per the Board charter, and
- absence of formal monitoring and oversight of the role and performance of the CEO.

4.1.9 The Charity Trustees have a duty to ensure that they act in the best interests of the charity and to carry out their functions with due skill and care. There was a fundamental weakness in the management and control of the charity in the period under review. In this period, the Board permitted the position of CEO to go unfilled for six months from January to August 2018 (despite being given six months' notice from Former CEO 1 of their intention to resign) and during these six months permitted the organisation to be managed by the Finance and Sponsorship Director who they acknowledged did not have the skillset required for the role. As is noted at various points in this report the Board acknowledged that they were unaware of expenditures, whether documented policies were adhered to and many of the activities of Former CEO 1 and the Finance and Sponsorship Director.