

**Formal Response by Noel Wardick
(Former Head of International Department, Irish Red Cross,
Oct 2005-Nov 2010)**

To

**Irish Red Cross Evidence given at Dail Public Accounts
Committee Hearing of 19th January 2012**

Submitted to

**The Oireachtas Public Accounts Committee and the
Department of Defence**

22nd February 2012

NOTE: Noel Wardick's response and comments will appear in bold type throughout the text

Chapter 32 - Financial Control in the Irish Red Cross (Resumed)

Committee of Public Accounts Debate

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Thursday, 19 January 2012

Mr. Michael Howard (*Secretary General, Department of Defence*) and **Mr. Donal Forde** (*Secretary General, Irish Red Cross*) called and examined.

Vice Chairman: I remind members and those in attendance to switch off mobile telephones as they interfere with the transmission of the meeting. I advise witnesses that they are protected by absolute privilege in respect of the evidence they give to the committee. If they are directed by the committee to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they do not criticise or make charges against a Member of either House, a person outside the Houses, or an official by name or in such a way as to make him or her identifiable.

Members are reminded of the provision within Standing Order 158 that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government, or the merits of the objectives of such policy or policies.

I welcome Mr. Michael Howard, Secretary General, Department of Defence, and I ask him to introduce his officials.

Mr. Michael Howard: I thank the Chairman. I am joined by Mr. Brian Spain, director, and Mr. Cathal Duffy, principal officer, Department of Defence.

Vice Chairman: I welcome Mr. David O'Callaghan, chairman of the Irish Red Cross.

Mr. David J. O'Callaghan: I am accompanied by Mr. Donal Forde, who was appointed Secretary General of the Irish Red Cross in February 2011 and Mr. Ronan Ryan, head of fund-raising and communications since January 2011.

Vice Chairman: Discussion on chapter 32, financial control in the Irish Red Cross, is resumed and I call the Comptroller and Auditor General.

Mr. John Buckley: This is a resumed session. I already outlined the main elements of my report in the meeting of 13 October 2011. Briefly the background is that an internal review, which reported in 2010, raised concerns about the non-remitting of fund-raising proceeds to

the society's headquarters, delays in submitting returns by branches and returns not covering all funds held by branches. A trawl of all accounts held in one commercial bank uncovered 49 undisclosed accounts that held funds totalling €214,000.

NW: It is to be noted that the total value of the 49 undisclosed accounts came to €214,945.45. One of the accounts (Banagher Branch Co. Offaly) had run up an overdraft of €8,058.77. As this money had to be repaid the Gross Total of the undeclared bank accounts discovered was in fact €223,004.22. It is also to be noted that Irish Red Cross branches are prohibited from running overdrafts so the Banagher branch had a double breach of IRC policy, namely 1. Failure to declare the bank account and 2. Breach of the no-overdraft policy. It has yet to be determined how this overdraft was eventually repaid and whether or not public donations were used to pay it. It is also necessary to clarify why an overdraft was necessary and what the money was spent on and who authorised it. This matter has yet to be investigated and reported on.

A related issue was the fact that the incompleteness of the branch returns meant that comprehensive accounts could not be produced for the organisation as a whole. Based on my queries to the Department relating to the soundness of the society's financial management the chapter outlines what the society is doing to improve its governance. The Department has reported that the society has codified its rules and procedures relating to how it manages its operations including, in particular, fund-raising and has set up an independent audit committee. From a regulatory perspective, the Department has stated that it intends to use its powers under existing legislation to amend the statutory instrument under which the society functions and subsequently to commence a review of the primary legislation.

NW: under the Rules of the Society (the IRC's own rules and regulations) the Society is obliged to conduct an external audit of the whole organisation (including branches, areas and regions) every six months. In its entire 72 year history the Irish Red Cross has never conducted an organisational wide audit, in breach of its own rules. The IRC has only conducted an external audit on its head office. The Chartered Accountants Regulatory Board (CARB) is currently investigating IRC external auditors, BDO, in relation to this and other matters pertaining to the auditing of the Society. The matter is currently before the Complaints Committee of CARB.

Vice Chairman: 🗣️ 🔍 I call Mr. O'Callaghan to make his opening statement. May we publish it?

Mr. David J. O'Callaghan: Yes, certainly. The Irish Red Cross is delighted to have been invited to this morning's hearing. We are very pleased to have the opportunity to come before the committee and address areas of concern relating to corporate governance that have been raised by the committee.

The Irish Red Cross is an independent, charitable organisation, with almost 5,000 volunteers. It is very active in two different ways. We support the emergency relief work of the International Red Cross movement through financial contributions and through the assignment of delegates to international operations. At home our 5,000 volunteers provide ambulance, first-aid, emergency-aid and community-support services through almost 140 branches nationwide. The society forms an essential part of Ireland's major emergency network and is an enormous volunteer effort that is part of community life across the length

and breadth of the country. Volunteers at all levels give freely of their time and effort to the good works of the society and seek no remuneration or reward. We owe them a great debt of gratitude for the contribution they have made to our community for more than 70 years.

NW: It is to be noted that the Irish Red Cross has a fully fledged commercial operation (including sales/commercial managers) whereby it charges, with a view to making a profit, for a range of its services particularly first aid training and those targeted at commercial enterprises and attendance at venues such as concerts and sporting fixtures. In addition the Irish Red Cross pays its First Aid instructors who provide first aid training. It is therefore incorrect to give the impression that no-one involved with the IRC is paid for the provision of their services and that the organisation is 100% a not-for-profit organisation.

We have readily and publicly acknowledged that, for a time, the Irish Red Cross did not keep pace with standards of best practice in respect of governance and oversight. The society has recognised that weakness and has responded to it in a substantial and convincing manner. Members will see from my year-end report on developments through 2011 that huge strides have been made in developing the society's governance and supervisory framework. For example, I would draw the committee's attention to: the reform of the society's constitution and important governance changes that come with it; new codes of conduct and the introduction of a suite of policy documents and standards; the establishment of an audit committee with external membership and expertise; and a framework for control and oversight of our branch finances. This progress has been formally acknowledged by our own international federation, by the Comptroller and Auditor General in his report and also by the Minister of Defence in correspondence to us.

Governance reform and development has been our central priority for the past 12 months. Great progress has also been made in developing the capacity of our secretariat and in addressing the financial challenges that face all charities in the current climate. We have been working closely with our colleagues in Geneva to develop our organisational strategy and to take many other steps that will ensure the Irish Red Cross is a vibrant and dynamic organisation that stands ready to respond effectively to people in crisis at home or abroad.

While all this work is under way, I will say that we have been disappointed to see some specific criticisms of the society that are simply untrue. In particular, allegations that moneys were diverted from the Haiti appeal of two years ago, that the society is misrepresenting its property assets or that there are irregularities in our accounts are all simply without foundation. We are happy to go into any of these in detail but let me repeat again that they are untrue and without foundation.

NW: The allegations around the Haiti appeal and the exclusion of the IRC property portfolio from the Society's accounts are most certainly true and will be commented on in detail below. It is the denials by the IRC concerning these issues that are untrue and inaccurate. I have previously indicated in writing that I am prepared to appear on record before the PAC and be formally and publicly questioned on these matters. I believe other whistleblowers such as Lousie Bayliss (HSE/Advocacy Network) and Eugene Mc Erlean (AIB) have been afforded the opportunity to appear before Oireachtas Committees. As such the precedent is there and I again request the opportunity to appear before the PAC.

Once again we are pleased to have this opportunity to attend this committee meeting, to tell members about the great work that is done by Irish Red Cross volunteers and about the great strides that have been made to develop best practice standards in governance and oversight, and to reassure them that other specific criticisms of the society are simply make-believe.

Vice Chairman: 📍 We are in somewhat uncharted waters today in that the Irish Red Cross is not a body that falls under the direct remit of the Committee of Public Accounts. However, our meeting in October with the Department of Defence left many unanswered questions. This meeting presents an opportunity for the Irish Red Cross to deal with these issues, many of which have given rise to very negative comments in the media and among the general public. The documentation the Irish Red Cross supplied to the committee outlines the changes that have been made, especially in the areas of governance, financial control and management of headquarters. It will be open to our members to question the progress on these changes and to deal with why a comprehensive transformation programme was necessary. As we said in October, the Irish Red Cross has considerable good will. It has many volunteers throughout the country and abroad doing a fantastic job. We owe it to the public and those volunteers to ensure that the issues, which gave rise to negative publicity, parliamentary questions, resignations of members of the council and labour relations problems with the staff, are addressed comprehensively. I hope this will come from today's session.

Before calling members of the committee, I have a few questions of my own. How did the €160,000 in the Tipperary account go undetected for three years from 2005 to 2008? How was the money raised? When was the account opened? Who were the cheque signatories? Was there any movement on the accounts? This links into the 49 undisclosed accounts. Is the Irish Red Cross happy there are no other accounts?

NW: It is important to note that there were two movements of money out of the Tipperary tsunami account of €1,000 and €100 respectively. These movements were identified in the IRC's own internal review in 2010. The Review stated the movements were as a result of a "misunderstanding between the bank and the Branch". The internal report fails to clarify if the Bank concurs with this statement and how it came to determine the withdrawals were the result of a "misunderstanding". The internal report also does not clarify if the two withdrawals were returned prior to or after the undeclared bank account was discovered. It is also essential to note that no IRC branch has the authority to spend or withdraw or use any monies collected for the purposes of an overseas disaster appeal. It was and is the policy of the IRC that all overseas appeal monies collected by branches must immediately be transferred to IRC HQ in Dublin.

I ask Mr. O'Callaghan to outline the recruitment procedure for the new general secretary, the former CEO of AIB in Ireland, Mr. Donal Forde. Mr. O'Callaghan made reference to property. The 2010 accounts contain a note that the Irish Red Cross is now working on the valuation of a number of properties. Why has it taken so long to deal with these properties which appear to have been off the balance sheet and have appeared from mid air? Has this whole debacle reduced the revenue gathering potential of the Irish Red Cross?

When dealing with the Tipperary account I ask Mr. O'Callaghan to deal also with the Haiti fund, which he mentioned. Was the €600,000 redirected into general funds rather than being purely for that appeal?

Mr. David J. O’Callaghan: They are reasonable questions and I thank the Chairman for giving us the opportunity to answer them. I would like the Secretary General to address the detail of the Tipperary account and I will deal with the recruitment, which was the second issue raised. The Chairman raised five issues and we will address the five.

Mr. Donal Forde: To put this in context, the Tipperary account incident goes back to 2005. It was 2005, 2006, 2007 and came to light in 2008. It was then resolved at that point. **NW: It was not resolved at the time in 2008. The matter was covered up in 2008 and nothing further was done about it. In late 2009 and throughout 2010 the matter was the subject of numerous headline grabbing national media articles, an RTE Prime Time program (26th August 2010) as well as being raised on many occasions in the Dail via Parliamentary Questions. Under severe pressure and very reluctantly IRC conducted a highly compromised internal review in late 2010, over two and a half years after the undeclared bank account was discovered.** It was subsequently the subject of an investigation that was commissioned by the chairman and conducted by a sub-group, essentially, of the board, chaired by a gentleman called Liam O’Dwyer, who was the chief executive at the time of the Irish League of Credit unions. I am drawing on his report that was made available publicly at that time. I will go to that to deal with the Chairman’s question as to how this happened. I am drawing and quoting from that. It stated:

In summary it is clear that the IRC headquarters was not resourced to deal with the Tsunami funds [remember €32 million was gathered, an unprecedented amount for the Irish Red Cross] nor its own normal administration and financial operations in 2005, 2006 and 2007. This was ultimately at the root of the problem with the Tipperary Tsunami account.

NW: Mr. Forde neglects to quote the following from the IRC internal report “...it is a concern that there was no official report to IRC HQ concerning this account (Tipperary) and that the formal existence of the account was discovered due to a trawl of all Bank of Ireland accounts in the name of the IRC, undertaken at the request of the IRC HQ.....Also of concern was that IRC HQ did not receive any of the required returns from the Tipperary branch in 2005 and 2006 while the 2007 returns were not submitted until November 2008 even then were incomplete i.e. no bank statements or reconciliation. This is a clear breach of IRC rules and should have resulted in the branch being issued with a final warning, and if matters remained unresolved being closed down. A further concern was that when the 2007 return was submitted by the Tipperary Branch there was no mention of the Tsunami account, the existence of which was formally discovered by IRC HQ in April 2008 when the Bank of Ireland report on all accounts held in the name of the IRC was examined in IRC HQ”. The report went on to say “The fact that no returns were submitted to IRC HQ by Tipperary Branch for 2005 and 2006 is in our view a more serious governance issue for the IRC HQ than the late transfer of the Tsunami monies. This is compounded in our view by the fact that the submitted 2007 late returns from Tipperary Branch did not feature the Tsunami account”. The report further states “The rules of the IRC Nationally are clear; if a branch, Area or Region does not submit returns they should be reminded, supported, visited then in the event of non compliance closed to protect the organisation”.

The quotes above are critically important. They demonstrate clearly that the Tipperary Tsunami account scandal resulted because of a breach of IRC financial procedures and policies. The primary person responsible for this account, Mr. Anthony (Tony) Lawlor-National Vice Chairman, not only knew these procedures intimately but was



responsible with others for ensuring national compliance with them. It is my contention that the procedures were consistently, wilfully and knowingly breached. Mr. Lawlor has never been sanctioned, warned or reprimanded. He continues to serve as National Vice Chairman (for the 21st year in a row).

He elaborates on that and what he is saying essentially is that there was a small coterie of staff here managing the finances of the Irish Red Cross, previously gathering in the order of €5 million to €10 million per annum. Suddenly, essentially, the tsunami appeal was conducted and €32 million came flooding in over a period of time.

Vice Chairman:   Over what period of time?

Mr. Donal Forde: Substantially in the course of 2005, but then it came through also in 2006 and even in 2007. This came through over a period of time. The point being made is that through that time financial resources were added to deal with the programme side, that is the setting up of programmes to disburse money to the victims essentially across the tsunami region, but no additional resources were added to a finance department that was now expected essentially to extend its scope and capability to deal with something of this volume. That was not done.

NW: Substantial extra staff were hired by IRC both in the International Department and overseas immediately following the 2004 Tsunami and recruitment continued for many months after. While the IRC Finance Department remained under resourced one additional finance professional was recruited. The point is it is not guaranteed that additional finance staff would have unearthed an undisclosed bank account. The Finance Department was and is dependent on branches following IRC rules and procedures. The Tipp Branch kept a bank account undeclared and undisclosed. IRC finance staff deal and work with declared monies and declared bank accounts. Additional finance staff would unlikely have prevented the Tipperary officials from keeping the bank account undisclosed, at least in the short to medium term.

Vice Chairman:   In layman's terms, when conducting an appeal would it not have been logical to bring all the treasurers of all the branches throughout the country into a room to advise them to open the account and remit the money to Dublin within a period of time?

NW: IRC rules and procedures were crystal clear at the time of the Tsunami. IRC has circa 140 branches across the country. Many of these were actively involved in fundraising for the IRC Tsunami appeal and each and every one of them, except the Tipperary branch, followed procedure and expeditiously returned all collected monies to HQ. No other branch, apart from Tipperary, out the 140 branches in existence have been accused of or discovered withholding Tsunami monies in undeclared bank accounts. As the IRC national vice chairman was the bank signatory on the Tipperary bank account the Tipperary Branch had full knowledge of the rules and procedures that should have been followed.

Mr. Donal Forde: I can only speak to what happened at the time. Very different processes apply today, let me be clear. Today if we conduct an appeal, moneys go into one account nationally. At the time the practice was that each branch, essentially, set up a restricted account essentially and specifically for these moneys and the moneys were then held, if one

likes, locally. That was the context at the time. I am not suggesting that would be proper practice or secure practice, but that is what happened at the time.

NW: it is my understanding that most branches did NOT set up specific bank accounts to hold overseas appeals money. They collected the money, accounted for it, lodged it in their existing account and as soon as practically possible transferred it to IRC HQ. Even if branches did set up a specific bank account to hold overseas monies, something which was not encouraged, this account had to be declared to HQ and the money transferred immediately to HQ. This policy was violated by Tipperary Branch.

There are a number of points to be made. In offering the committee these, I am drawing on the report. I am not looking to legitimise what was a mistake by any yardstick, but I am trying to create context for the committee. The moneys, it was decided, would be expended over a five-year period. It is not the case that all these moneys were going to be put in one spot, essentially, and then immediately transferred to the tsunami. That was not the way it was done and that would not be untypical for a programme of this size. It was decided that these would be expended over a five-year period. That is the first point to make.

At the time the practice in the Irish Red Cross - it was not all it should have been - was that these moneys, essentially, were gathered in local accounts. Some of the local treasurers, those in Tipperary specifically - and the report speaks to this - were not surprised that there was not immediate consolidation of these moneys in a central account. The evidence supports the assertion that their view was that the money would be consolidated over time as it was transferred to the programme in the tsunami region. They claim that they were not surprised they were not asked to centralise the money immediately and this is what the report speaks to. This is one point of context.

NW: Mr. Forde's evidence is a disgraceful distortion of facts. No IRC branch anywhere in the country is allowed or permitted to hold overseas appeals money for extended periods of time. No branch is permitted or allowed to keep IRC bank accounts undisclosed. The branch's job vis a vis overseas disasters is and has always been simple and straightforward. Collect monies for overseas appeals and immediately return to IRC HQ where HQ/Executive Committee decides how, where and over what timeframe money will be spent. Branches have absolutely no entitlement to decide when they release to HQ monies raised for overseas appeals. It is immaterial that the tsunami recovery programme was to take place over a five year period. This is entirely irrelevant to a branch. The IRC is engaged in multiple multi annual operations in multiple countries around the world. It would be utterly chaotic if 140 individual branches were permitted to release funds to HQ for these operations when and how they wished. In addition because Tipperary never declared the account the International Department (of which I was head) had no knowledge of the monies existence therefore it was not recorded in our overall budget totals and therefore no plans ever existed for its expenditure (until late 2008 when the money was finally rescued). All overseas monies are handled and expended by HQ development and humanitarian professionals skilled to make the necessary decisions on such matters. Tipperary was the only branch which decided to keep the money undisclosed and who supposedly were going to release it when they decided. It is interesting to ask, although we will never know, what would have happened if the undeclared account had never been discovered.

There were not the systems at the centre that one would expect there to be today. There were neither the resources nor the processes to make sure all branch accounts were reported on properly. There were not the reconciliation systems or information systems or the capacity to be able to oversee 150 branches and this scale of money throughout the country. I do not suggest this is legitimate and it has all changed dramatically but those were the circumstances which prevailed at the time.

NW: Yes IRC was severely under resourced vis a vis sufficient staff (a consequence of the IRC Board consistently refusing permission to recruit such staff, something which ensured the continued micro management of the organisation by certain board members) but it is noteworthy that of the 140 IRC branches every one of them which collected Tsunami money returned it to HQ as per the clear IRC policy at the time. The lack of HQ staff did not interfere in those branches following procedures but it seems to be the excuse given for the branch run by the national chairman for failing to declare bank accounts. The IRC board knew that the Tipperary branch had failed to submit any financial returns (normal branch bank accounts excluding overseas appeal accounts) at all in 2005 and 2006 and that the 2007 return was nearly twelve months late and were incomplete (no bank statements or reconciliations). They chose to do nothing about this. This was nothing to do with staff numbers but all to do with poor governance and fear of the national vice chairman whose branch was a serial 'no branch financial returns' offender. In this instance the board clearly failed in its fiduciary duties.

Deputy Derek Nolan: 🗣️ 🔍 On a point of order-----

Vice Chairman: 🗣️ 🔍 To deal with the point on recruitment-----

Deputy Derek Nolan: 🗣️ 🔍 To be helpful, as I know the Vice Chairman has not chaired the committee previously, many of these questions will come out in what the lead speaker has prepared and the Vice Chairman will be perfectly entitled to ask questions at that point-----

Vice Chairman: 🗣️ 🔍 Point taken.

Deputy Derek Nolan: 🗣️ 🔍 Just to ensure that the meeting runs sensibly and efficiently.



Vice Chairman: 🗣️ 🔍 I have one final point to make before moving on to the lead questioners. Has a valuation been made of the fixed assets?



Mr. Donal Forde: May I close on the point I was making because it is important?

Vice Chairman: 🗣️ 🔍 Yes, close on that and we will move on.



Mr. Donal Forde: All of the conclusions I share with the committee were made available publicly. The report has been on our website since the end of 2010. I hope we have been appropriately open and transparent about all of this. Every recommendation made following the investigation has been implemented. Today, a national appeal goes to one account at the centre; the accounts from all of our branches are submitted half yearly and reviewed; we have systems at the centre; and we have an independent audit committee. All of the measures one would expect to be in place for an enterprise such as this are now in place. In trying to

explain this I do not seek to legitimise what happened. It was a failing from an administrative point of view. I want to make this clear.

Vice Chairman:   We will move on to Deputy Eoghan Murphy who is the lead questioner.

Deputy Eoghan Murphy:   I thank the witnesses for coming before the committee. We asked representatives of the Red Cross to come before the committee because a number of questions were outstanding after we reviewed the Vote in the Comptroller and Auditor General's report last October.

Mr. David J. O'Callaghan: I am conscious that I have not answered any questions.

Deputy Eoghan Murphy:   Mr. O'Callaghan will have a chance to speak after several of us have asked questions.

Prior to asking my questions I wanted to state that a number of allegations have been made about the Red Cross in the media and in correspondence to the committee. They are quite serious and relate to loose financial controls and poor governance. The committee is not here to damage the good name of the Red Cross and all it does. We are here to protect it. I hope through the questions we ask and through these proceedings this will be the outcome of the meeting.

I thank the witnesses for the document they provided - which has been very helpful - on all they are trying to do with regard to good governance. In one way it is quite an indictment of what has gone on in the past and it substantiates some of the allegations made about poor governance in the society and the work that needs to be done. We touched briefly on the tsunami account from 2004 and what happened there. I would like to go into this in some detail and into how the Tipperary account was discovered in the first instance.

Mr. Donal Forde: To be truthful, if I go to the formal records I cannot find a particular point at which it was discovered. It seems to have come to light in August 2008.

NW: This is factually incorrect. The Tipperary Tsunami account was first discovered by IRC HQ, following a secret inquiry with Bank of Ireland, in APRIL 2008. Mr. Forde should be fully aware of this. The IRC internal investigation into the matter reported in late 2010 “a further concern was that when the 2007 return was submitted by the Tipperary branch there was no mention of the tsunami account, the existence of which was formally discovered by IRC HQ in April 2008 when the Bank of Ireland report on all accounts held in the name of the IRC was examined in IRC HQ”.

It is also important to note that despite discovering the undisclosed account in April 2008 the money was only transferred from Tipperary to IRC HQ in September 2008, six months later. The IRC internal report stated “The account (Tipperary) remained open with the monies collected intact until the 23rd of September 2008 when the monies now totalling €162,960 were transferred to the IRC HQ tsunami account.” It has never been explained why it took a full six months for the discovered tsunami monies to be transferred to IRC HQ. Also when the monies were discovered the bank account balance in Tipperary was €160,335.41. Six months later the balance was €162,960 (the amount transferred). The reason for the increase of €2,624.59 has never been accounted



for. Was this increase accounted for by additional donations in the period or was it the returning of monies previously taken out of the account?

In addition when the 49 undisclosed accounts were discovered it was not one but two undisclosed accounts that were discovered in the Tipperary branch. The first account had €160,335.41 in it while the second undisclosed account had €195.97 in it. This second account has never been investigated and never gets mentioned by IRC when discussing the ‘Tipperary bank account’ situation.



Deputy Eoghan Murphy:   Together with 48 other accounts.

Mr. Donal Forde: The picture I have is that suddenly the central finance function woke up to the fact that there was €160,000 in the Tipperary account. It immediately initiated a trawl of accounts by going to the banks and asking for a list of all accounts in the name of the Irish Red Cross.



NW: IRC HQ did not ‘wake up’ to the fact that Tipperary branch had an undisclosed account, they discovered that the Tipperary branch had kept an undisclosed bank account for nearly 3 years. The breach in policy was entirely made by officers of the Tipperary branch including Anthony Lawlor, national Vice Chairman. In addition the 49 undisclosed accounts were discovered at the same time, the one list containing all 49 accounts was provided by Bank of Ireland to IRC. It is not the case that IRC discovered the Tipperary account and then initiated a trawl of other accounts. The list of 49 came from BoI following a request to report on all bank accounts held by BoI under the name of the IRC. 49 unknown/undisclosed accounts to IRC HQ appeared on this list including the Tipperary branch tsunami account.

Deputy Eoghan Murphy:   I will go back to the first point made. It woke up to the fact that €160,000 was in the Tipperary account. What does this mean?

Mr. Donal Forde: I can find no formal minutes of the time. Someone at headquarters in Dublin suddenly woke up to the fact there was €160,000 in the account in Tipperary.

Deputy Eoghan Murphy:   What do you mean by “woke up to the fact”?

Mr. Donal Forde: The reason I say that is that there are no minutes from the time of any of the formal structures or meetings that at any point indicated that this was-----

Deputy Eoghan Murphy:   Somebody in the Red Cross headquarters became aware there was €160,000 in an undisclosed account at that time.



Mr. Donal Forde: That is the picture I have. When I look to the investigative report made what is said in it is that Tipperary had kept the central function advised that this money was there informally, and this is not disputed but it is not on record. Let me just be clear about that.

NW: This is absolutely false. Many of those involved in this issue at head office categorically deny that HQ had any knowledge of the existence of the Tipperary bank account. I as Head of International had absolutely no knowledge that such a bank account with tsunami monies in it existed until late September/early October 2008 when



I was informed by the Secretary General at the time, Mr. John Roycroft. It is critical to note that the internal IRC investigation team only very selectively interviewed people for its investigation, four of whom were either involved in covering the matter up/doing nothing about it once it was discovered, another three of whom were officers of the Tipperary branch and directly implicated and one who was a junior member of the HQ Finance Department at the time (and whose evidence NW would trust 100%). The following key people were not interviewed by the IRC internal investigators:

- 1. Carmel Dunne, Secretary General at the time of the tsunami (departed IRC May 2007)**
- 2. Noel Wardick, Head of International Department Oct 2005-Nov 2010**
- 3. David Andrews, Chairman, IRC, April 2000-Dec 2009**
- 4. Jennifer Bulbulia, Honorary Secretary, circa 2003-June 2009 (who resigned over the IRC failure to investigate the Tipperary account as well as other financial and governance concerns and who formerly wrote to the Minister upon her resignation)**
- 5. Denis Kavanagh, Head of Finance for many years pre and post Tsunami (departed IRC mid 2008)**



Head Office did not know about the existence of the undisclosed bank account and if it did it would have immediately demanded the return of the money as per IRC policy. Surely the panic that ensued following the account's discovery is proof that it was not known prior to this. One of the reasons the internal IRC investigation is so dramatically compromised is the failure to interview any of the above five people.

Deputy Eoghan Murphy:   Just to clarify, Mr. Forde was not working with the Red Cross at the time.

Mr. Donal Forde: I joined 11 months ago. I am a reporter of what happened.

Deputy Eoghan Murphy:   Someone in headquarters knew informally that there was an account in Tipperary with €162,000.

Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Off the back of that, they decided to do a search for any other undisclosed accounts.

Mr. Donal Forde: They did not know of other undisclosed accounts.

Deputy Eoghan Murphy:   What did they go looking for?



Mr. Donal Forde: They approached the banks and asked for lists of all the accounts in the name of the Irish Red Cross and then began to cross-check them with their records. At that point they found this account.

NW: They only approached one bank, Bank of Ireland



Deputy Eoghan Murphy:   They approached the bank formally.

Mr. Donal Forde: Yes.

NW: This is not correct. My understanding is they approached the bank informally through a contact of Mr. Declan O' Sullivan who was Consultant/Acting Head of Finance at the time. There is no correspondence at this time requesting BoI for the information.

Deputy Eoghan Murphy:   Is that minuted or is there a document?



Mr. Donal Forde: No, other than letters to the bank seeking the disclosures.

Deputy Eoghan Murphy:   So there is a letter to the bank stating that the Red Cross believed there were accounts it was not aware of.

Mr. Donal Forde: No, it does not say that. It does not speculate. It simply asks for records of the accounts in the name of the Irish Red Cross.

Vice Chairman:   How many banks?



Mr. Donal Forde: Bank of Ireland was done at the time and subsequently Irish Permanent and the credit unions I understand.

Deputy Eoghan Murphy:   Accounts were found only in Bank of Ireland.



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Who in the Red Cross headquarters asked for the search?



Mr. Donal Forde: From what I have seen it was the head of finance at the time.

Deputy Eoghan Murphy:   The head of finance at the time asked for it to happen.

Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   So the head of finance was the person who informally was aware of the €162,000.



Mr. Donal Forde: No, I did not say that. I cannot make that leap. What I see on record is the banks being requested for details **NW: I do not believe there is anything on record in early 2008 asking the Bank of Ireland. It was done informally so it is not clear what records Mr. Forde is referring to. He should be fully aware there is no record of this request in early 2008.** What I know from the investigation is that essentially it is accepted that there was some informal sharing of information between Tipperary and the head office. The rest is from adding one and one together. I have no basis to certify that.

Deputy Eoghan Murphy:   The official position is that headquarters was not aware of this account.



Mr. Donal Forde: That is the official position.

Deputy Eoghan Murphy:   Someone informally knew.



Mr. Donal Forde: It is accepted. It is a matter of record. **NW: It is not accepted and it is not a matter of record. It is vigorously contested by many people. The people who have stated HQ knew about the account are the Tipperary Officers, including the Vice Chairman, implicated in keeping the account undisclosed and failing to transfer the money.** The investigation is there. It is accepted there was certainly some discourse between the Tipperary branch and the centre which points to the fact that there was knowledge of this at the centre.

Deputy Eoghan Murphy:   Who was the chief signatory of the Tipperary account? Was it the chairman of the local branch?

Mr. Donal Forde: There were four signatories at the time.

Deputy Eoghan Murphy:   Four signatories?


Mr. Donal Forde: Forgive me, the particular account we are discussing had two signatories.

Deputy Eoghan Murphy:   Did either of them have other positions in the organisation?

Mr. Donal Forde: One of the signatories was the PRO at the time in the Tipperary area and there was also the vice chairman at the time.

Deputy Eoghan Murphy:   The vice-chairman of the branch?



Mr. Donal Forde: No, the vice chairman of the society nationally.

Deputy Eoghan Murphy:   So the signatory for the Tipperary account was the vice chairman of the national organisation.



Mr. Donal Forde: One of the signatories was the vice chairman.

NW: The national vice chairman was a signatory on the account. It is my understanding that the Vice Chairman's sister was the Treasurer of the Tipperary branch. The internal report does not clarify whether the Treasurer was also a signatory on the tsunami account.



It is not clear if the IRC has proper 'conflict of interest' policies in place such as standard 'blood relation' policies that would prohibit blood relations within the organisation being signatories on the same bank accounts etc etc

Deputy Eoghan Murphy:   So the vice chairman would have known of the account in Tipperary, being a signatory of it.



Mr. Donal Forde: Yes, he would.

Deputy Eoghan Murphy:   Is that the person in headquarters who knew the account existed?



Mr. Donal Forde: No.

Deputy Eoghan Murphy:   It was someone else.

Mr. Donal Forde: The previous discussion we had was about the finance function. Let us be clear this is a separate line altogether.

Deputy Eoghan Murphy:   What we have is the vice chairman of the national organisation being aware of an account in his branch and not disclosing that account officially in 2005, 2006 or 2007 and it not being recorded anywhere that the account existed.



Mr. Donal Forde: That is fair.

Deputy Eoghan Murphy:   Is that person still the vice chairman of the organisation?

Mr. Donal Forde: He is, yes.

Deputy Eoghan Murphy:   What happened upon the discovery of this account?

Mr. Donal Forde: Forgive me Deputy, just for clarity I should make the point - and I have tried to create a context - that the view of the people in Tipperary was that they had told the finance function informally even though it was not submitted. The investigation accepts that the volunteers in the Tipperary region had given information to the centre to the degree that the central finance function knew about these moneys. **NW: This is absolutely not accepted as fact. It is rejected by many including myself. It may be the view of a highly compromised, watered down and unbalanced internal report. Those that investigated the matter are IRC governance individuals investigating each other with key informants such as myself not interviewed. The individuals investigating the matter all hold/held governance positions at the time of the tsunami and afterwards. In addition these individuals were tasked with investigating the most powerful, dominant and influential figure in the IRC for the last 20 years (the national vice chairman).**

Deputy Eoghan Murphy:   I do not know what that means, sorry. You are telling me the members in the Tipperary branch were satisfied the €162,000 existed in a tsunami account and headquarters was fully aware the account existed.



Mr. Donal Forde: Yes, that is what I am telling you.

Deputy Eoghan Murphy:   But that was not the case.



Mr. Donal Forde: No.

Deputy Eoghan Murphy:   So-----



Mr. Donal Forde: The investigation that was done accepted that it was the case.

Deputy Eoghan Murphy:   That headquarters knew about the money.

Mr. Donal Forde: That headquarters was told informally.

Deputy Eoghan Murphy:   Sorry, but you told me the official position was that headquarters did not know that the account existed.

Mr. Donal Forde: I am making a distinction here. Let me be very clear about this. I am making a distinction between formal returns that were made on accounts. There were no formal returns made which featured this account. That is a different thing from me saying the investigation concludes and accepts there were informal exchanges such that there was knowledge of the account at the centre. That is the distinction I am making.

Deputy Eoghan Murphy:   The Comptroller and Auditor General stated that headquarters was not aware of the existence of the bank account until a trawl of all Bank of Ireland accounts in the society's name was undertaken in April 2008. I am not too concerned about the distinction that Mr. Forde is trying to make between formal and informal or about whether the Tipperary account's members were satisfied that the account's existence was known centrally. Is it correct to say that the money was sitting in an account, a signatory to which was also and continues to be the organisation's vice chairman?

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   What happened when the account was discovered?

Mr. Donal Forde: The trawl was done in the space of a few weeks, the account was discovered, it was closed and the balance was transferred.

NW: The account was discovered in April 2008. This is recorded in the IRC internal report. The money was not transferred to IRC HQ for another six months on 23rd September 2008 (as per IRC internal report). No explanation has ever been given for this six month delay and the increase in the accounts balance between April and Sept 2008 (see NW comment above for exact details and figures)

Deputy Eoghan Murphy:   Approximately 48 other accounts were found in the trawl.

Mr. Donal Forde: Yes, but it would be wrong to interpret that as meaning other accounts contained a tsunami money. Some of them were accounts with small, dormant balances. I cannot speak to the character of those balances, as I do not have the information with me.

Deputy Eoghan Murphy:   Some 49 accounts were unknown to headquarters formally and contained funds amounting to more than €200,000. The investigation was then launched.



Mr. Donal Forde: No. The investigation was not conducted at that time **NW: Not only was no investigation conducted at this time the matter was closed and it was determined that no investigation was required and no action was necessary against those involved in keeping the account undisclosed.** The account came to light in August 2008 and was closed in September 2008, at which time it seems our finance function took the view that the account was a financial administrative error. It was viewed in too casual a light.

NW: Mr Forde gives factually incorrect information above and as Secretary General he should know this. The account was discovered in April 2008. This is stated in the IRC internal report which Mr. Forde previously and selectively quoted from to blame HQ



staff for the Tipperary account. Inexplicably it took another six months to transfer the money to Dublin.

Deputy Eoghan Murphy:   Who took the view that it was a simple error?

Mr. Donal Forde: Let me be careful. All that is evident from the formal records is that the matter was closed.

Deputy Eoghan Murphy:   Would closing the matter have gone before the board?

Mr. Donal Forde: Yes, but the point is that it did not.



Deputy Eoghan Murphy:   And the board would have said that there being 49 undisclosed accounts was okay.

NW: Not only was there 49 undisclosed bank accounts discovered but one in Banagher, Co. Offaly, had an overdrawn account of €8,058.77. This in itself should have sent alarm bells off because at least the other 48 accounts with credit balances could be recovered. An undisclosed IRC bank account with an overdrawn amount of €8,058 was a double breach of IRC policy (not declaring it and running an overdraft). I am not aware that this matter was ever investigated and/or the reasons determined who and why an IRC bank account was overdrawn, what the money was spent on and how it was repaid (using public money etc?).

It is not known at this stage if any member of the Central Council or Executive Committee at the time (or currently) was a signatory on this overdrawn account.

Rule 62 of the Irish Red Cross clearly states: Nothing in these rules shall be construed to authorise any Branch or Area Committee to pledge the credit of the society without the prior consent of the Executive Committee, or to give a Branch or Area Committee a right of ownership over any funds or property held by or on behalf of the Society



Mr. Donal Forde: I do not know what the board would have said, as the matter was not raised with it.

Vice Chairman:   Who was the general secretary at the time? Would he or she have been informally aware that €160,000 was sitting in the account?



Mr. Donal Forde: I must be very careful about using the word “informally”, having just been challenged on it. All I can say is that it was not known formally.

Deputy Eoghan Murphy:   It was brought to the board.



Mr. Donal Forde: No. To be clear, it was not brought to the board.

Deputy Eoghan Murphy:   A few people in headquarters decided that this matter was okay.

Mr. Donal Forde: I cannot speak for who decided, but the matter was not brought to the attention of the board.

Deputy Eoghan Murphy:   To whose attention was it brought?

Mr. Donal Forde: To my knowledge, nobody beyond the head of finance.

Deputy Eoghan Murphy:   In 2008, only the head of finance knew about the 49 undisclosed accounts and the moneys contained therein.

Mr. Donal Forde: Formally. That is the picture I have.

NW: This is factually incorrect and a very serious untruth.



Upon the receipt of information in April 2008 from Bank of Ireland revealing 49 undisclosed accounts the following people were informed:

- 1. The Secretary General, John Roycroft. Mr. Roycroft is currently a serving senior civil servant with the Department of Justice. He was on secondment to the IRC as Secretary General from 2007 until his resignation in December 2009.**
- 2. The Chairman, David Andrews**
- 3. The Honorary Secretary, Jennifer Bulbulia, who subsequently resigned because of the failure of the Society to investigate the Tipperary account and other concerns she had around governance.**
- 4. Central Council and Executive Committee member, Judge Rory Mac Cabe**
- 5. Noel Wardick, Head of International Department (informed by the Secretary General, John Roycroft in Sept/early Oct 2008)**
- 6. Declan O'Sullivan, Consultant/Acting Head of Finance, also knew immediately as he was the point of contact with BoI.**
- 7. Tony (Anthony) Lawlor, Vice Chairman, also obviously knew as he was responsible for the Tipperary account**
- 8. Des Kavanagh, Treasurer. I cannot confirm whether Mr. Kavanagh was informed at the time or not. I believe it unlikely he wouldn't have been informed but cannot confirm either way. I also cannot confirm whether his successor, Mr. Ted Noonan, was briefed upon his appointment to the post but I believe he resisted any investigation once he did become aware of it.**
- 9. By end of 2008 most staff, numerous volunteers and members were aware of the undisclosed Tipperary bank account. I am certain a number of staff also informed other board members who are not listed above. By early 2009 it was an open secret within the Society**


In early October 2008 I wrote an email to Mr. John Roycroft and copied Declan O'Sullivan in which I recommended the resignation of the Vice Chairman for his role in not declaring the account. I never received a response to my email. I engaged in many conversations with both Mr. Roycroft and Mr. O'Sullivan between 2008 and my departure in Nov 2010 on the need for an independent investigation into the matter and my belief that Mr. Lawlor's position was untenable. Every attempt was made by the leadership to have this matter silenced. Mr. Forde's insinuation that board members simply didn't know is absolutely false and I fail to understand how he does not know this.

It is important to understand that the IRC fought tooth and nail to keep this matter under wraps and also fought tooth and nail to avoid having to conduct any form of investigation. To give any other impression is seriously misleading.

It is simply not acceptable to mislead an Oireachtas Committee in this manner and by extension the Irish public.

Deputy Eoghan Murphy:   Is the head of finance still with the organisation?

Mr. Donal Forde: No.

Deputy Eoghan Murphy:   When was the investigation launched?

Mr. Donal Forde: In 2009. No, forgive me. It was 2010. **NW: It was late 2010, October/November to be precise. This is exactly 30 months or 2.5 years after the account was discovered.**

Deputy Eoghan Murphy:   Why was there a delay?



Mr. Donal Forde: According to the records and the investigation, the matter seems to have been closed within the finance department in September 2008 **NW: This is highly inaccurate, another falsehood. The matter was closed by the organisation's most senior leadership including the Chairman at the time, the Secretary General at the time and the Head of Finance/Consultant at the time (who subsequently became the Acting Secretary General for 14 months before being replaced in Feb 2011 by Mr. Forde). A conscious decision was taken by the organisation's most senior individuals (Board and Management) not to pursue the matter. This was not a formal decision recorded in minutes but it was nevertheless a decision taken and implemented by these senior individuals. As articulated earlier in October 2008 I wrote to the Secretary General and Head of Finance expressing the view the Vice Chairman should resign. The email is available should the PAC require to view it. In 2010, there was commentary in the media about the fact that this incident had occurred. The media linked the incident with commentary about governance weaknesses more generally in the society, which presented the issue in a different light. It was at that point - November 2009 - that the first discussion on the matter featured in the minutes of the central committee. NW: It may or may not be the case that the first recorded minutes of formal board discussions around the Tipperary tsunami account is in Nov 2009 but I can state with absolute certainty that the matter was discussed widely and in detail from the moment the account was discovered in April 2008. The whole focus was around keeping the matter under wraps and trying to ensure the issue 'went away'. Mr. Forde does not state when the Tipperary account was first recorded as being discussed at an Executive Committee meeting. He only refers to the Central Council which only meets twice a year (mid and end). The Executive Committee meets 10/11 times a year.**

In June 2009 the Honorary Secretary of the Society, Ms. Jennifer Bulbulia, tendered her resignation. She made clear her reasons for doing so revolved around her deep rooted concerns about misgovernance and financial issues.

Even the resignation of a senior board member, a woman of the highest ethical standards and integrity, did not prompt the Society to investigate or pursue further her

reasons for resigning. The reality is those with most to lose by an investigation into the Tipperary bank account as well as reform of the Society were much relieved to see Ms. Bulbulia depart as she was prepared to stand up to them. Unfortunately she lacked the support of her board colleagues who largely remained indifferent to issues concerning good corporate governance and financial oversight. They also lacked Ms. Bulbulia's courage.



Let me be clear about the timeline, and forgive me if I am causing confusion. The account came to light in August 2008 and was closed in September 2008 **NW: Mr. Forde has repeatedly in his evidence incorrectly stated the account was discovered in August 2008. It was discovered in April 2008 and presuming he has read the IRC internal review into the account he should be fully aware of this. By stating the account was discovered in August 2008 he avoided any follow on questions from PAC members who would have most likely asked why it took six months to transfer the money to Dublin if Mr. Forde had accurately reported the account's discovery as April 2008.** Subsequently, the matter was not raised again until the end of 2009, which is when it first featured for discussion at the central governance forum of the executive committee. It only featured on the back of media commentary **NW: Noel Wardick continually raised the issue with Mr. John Roycroft, Secretary General until he resigned as SG in December 2009 and with Mr. Declan O'Sullivan who became Acting Secretary General in Dec 2009. Mr. Wardick raised it numerous times with Mr. O'Sullivan until Mr. Wardick's own departure in November 2010. Mr. Wardick was continually informed the matter was closed and that there would be no investigation.**

Deputy Eoghan Murphy:   Media commentary made it public. Is the committee called the governance committee?

Mr. Donal Forde: The executive committee of the central council.

Deputy Eoghan Murphy:   It decided that there should be an investigation.

Mr. Donal Forde: Not immediately.

Deputy Eoghan Murphy:   It was made aware of the 49 undisclosed accounts, the fact that one account had contained a large amount of money and that one of the account's signatories was the national organisation's vice chairman, yet it still did not order an immediate investigation.

NW: As mentioned earlier and in addition to the Tipperary account one of the 49 accounts had €8,058.77 overdrawn on it (Banagher Branch) in clear violation of IRC policy

Mr. Donal Forde: Not at that point.



Deputy Eoghan Murphy:   When did the Department of Defence become aware of these undisclosed accounts?

Mr. Donal Forde: That was the first time the matter was mentioned at the forum on which the Department's representative sits.

NW: The November 2009 edition of the Village magazine carried a detailed and comprehensive account of the litany of problems besetting the IRC. The article gave specific details of the Tipperary account, its discovery and the Society's failure to investigate. It specifically named the Irish Red Cross Vice Chairman, Tony Lawlor and the Treasurer, Des Kavanagh. Earlier in 2009 negative newspaper articles were carried by the Sunday Independent outlining governance and financial irregularities at the Society. Ms. Bulbulia's resignation letter was sought and obtained by the Sunday Independent and part published in one of its 2009 editions.

The Department of Defence has been fully aware of the long history of protracted governance and financial mismanagement problems at the Irish Red Cross. The contemporary situation follows on the back of 20 years of deep rooted similar problems which have been well documented by the Irish media and recorded via two decades of parliamentary questions in the Dail. Even after receiving Ms. Bulbulia's resignation letter (she was appointed by a Fianna Fail/PD government) outlining her serious concerns the Department continued to do nothing to address the fundamental problems.

The Department of Defence is inclined to say it has little or nothing to do with the IRC and doesn't get involved. This is highly inaccurate and very misleading. The Department is deeply and intimately involved with the IRC and always has been. As an example Noel Wardick requested information under an FOI request covering the period 1st January 2007 to mid-July 2011. The Department of Defence refused the request as it stated the volume was too onerous on the Department. In a letter to Mr. Wardick the DoD stated that over the four year period under question it estimated there was at least 2,500 documents (letters, emails etc) between itself and IRC. This would imply on average 625 documents exchanged between the DOD and IRC on an annual basis implying on average 52 documents a month and 2.4 documents a day (based on a 22 day working month). These figures, presuming they are accurately provided by the DoD, make a mockery of DoD's claim of non involvement, lack of knowledge etc etc. The DoD is culpable in the ongoing fiasco of the IRC because of its silence, indifference and inaction despite always being fully aware of what has been going on. Mr. Wardick's FOI request is currently with the Office of the Information Ombudsman.

Deputy Eoghan Murphy:   My question might be better directed to Mr. Howard. When did the Department become aware of the 49 undisclosed accounts?

Mr. David J. O'Callaghan: If we allow the secretary general of the Red Cross to continue, he might have that date.

Deputy Eoghan Murphy:   I beg Mr. Forde's pardon.



Mr. Donal Forde: The Department would have been aware of it for the first time in November 2009.

Deputy Eoghan Murphy:   What made the Department aware of it?

Mr. Donal Forde: The events to which I referred, namely, media commentary and the discussion of the matter by the committee for the first time.



Deputy Eoghan Murphy:   In 2009.

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   It is my understanding that a member of the board or the executive committee resigned in 2009 because nothing happened in respect of the undisclosed accounts, that the member wrote to the Minister for Defence to state the reasons for said resignation and that this was the first time the Department became aware of the matter.

NW: It is my understanding that while Ms. Bulbulia's letter (sent circa mid 2009 I believe) did not specifically reference the Tipperary account she did refer to poor governance and financial concerns. It is quite incredulous that following the resignation of such a respected and highly regarded individual, who was appointed by the Government, that the Department of Defence would not have instructed its representative on the Executive Committee of the IRC to have the matter investigated.



Mr. Donal Forde: I am confident that is not accurate.

Deputy Eoghan Murphy:   I will ask Mr. O'Callaghan, who was previously in a position in the Department.

Mr. David J. O'Callaghan: I was its Secretary General.

Deputy Eoghan Murphy:   For which years?

Mr. David J. O'Callaghan: Almost ten years from 1995 until I retired in 2003.

Deputy Eoghan Murphy:   Mr. O'Callaghan had a view of the Red Cross from the Department. Was he aware of the allegations being made?

Mr. David J. O'Callaghan: I was Secretary General of the Department of Defence for nearly ten years and have been racking my brain as to how many times the Red Cross appeared on my radar of top ten issues, but I can remember no time when we had difficulties with it. It was at arm's length from the Department and there did not appear to be any problem. A member of staff at principal officer level was on its board, but no problems surfaced at Secretary General level until that point.

NW: This statement is simply false. During Mr. O' Callaghan's time as Secretary General there were numerous occasions when the problems of governance and finance at the IRC entered the public domain via highly negative media articles as well as many parliamentary questions raised in Dail Eireann. This can easily be verified from Dail and media records. Also I'm sure any FOI request for IRC/DoD documents during this period would prove Mr. O' Callaghan's statement incorrect.

One of the most dramatic crises at the IRC occurred in 1999 when nine permanent staff made the unilateral decision to go on RTE 1 News and be interviewed about the problems at the Society. The staff were interviewed by Charlie Bird on the Six One news and again repeated on the Nine O' Clock News. Staff spoke about the culture of fear, mismanagement, incompetence and misgovernance. This resulted in widespread



print media and radio coverage as well as a series of PQ's in the Dail over the days following.

The 1999 staff RTE interview triggered a very hostile reaction from the IRC Executive Committee and Mr. O'Callaghan's DoD representative who sat on the Executive Committee would have been part of the emergency meetings that took place afterwards. The 1999 staff interview also featured on RTE's Prime Time investigation into the IRC of 26th August 2010.

In addition to the above high profile crisis the Irish Red Cross lost a case they took all the way to the Supreme Court in 1997. The Supreme Court found against the IRC in March 1997 after a former central council member, Mr. Jim Walsh, took a case against the Society after he was expelled from the board for speaking with the media around concerns he had about the use of funds raised for Somalia (his concern was that the money had been transferred to a domestic account). Mr. Walsh spoke to the media about this issue in 1993 and was subsequently expelled from the board. He took a High Court action against the IRC and won. The IRC inexplicably and foolishly appealed to the Supreme Court where they suffered another humiliating and extremely costly defeat (£160,000 punts awarded to Mr. Walsh, this doesn't include the costs of legal fees incurred by IRC). The case was widely covered in the media in 1997 and it surely cannot be the case that Mr. O'Callaghan was not fully aware that the IRC had lost a case in the Supreme Court and incurred huge costs in doing so under his watch. It simply is not credible that he was not fully aware of this. At the time, however, the DoD did not request an investigation into the claims that Somalia money was put into a domestic account just like they have ignored the claims that money raised for Haiti seventeen years later was also put into a domestic account.

If I might summarise, a picture is emerging. There was a mess. Hands up, it was bad governance and the matter was not spotted. When it was spotted, the moneys were diverted. They could not have been used anyway, as the account was restricted and there was no movement in it. Not one cent went missing or was misappropriated. There is no question of that, although I know that is not what the Deputy is suggesting.

NW: Mr. O' Callaghan is incorrect when he says there was no movement on the account. The IRC internal report states there were two movements on the account of €1,000 and €100 respectively. The report blames this on an error by Bank of Ireland but fails to state whether BoI concurs with this view. The report also does not mention when these two 'movement's took place and when the money was returned (pre or post discovery of the account). Its not clear whether this issue had anything to do with the six month delay in transferring the money from Tipperary to IRC HQ once it was discovered.

Deputy Eoghan Murphy:   The money was just resting in the account.

Mr. David J. O'Callaghan: It would appear that head office staff decided to address the matter administratively. This was a bad judgment call, as the money was significant enough to have been brought to the board's attention immediately and an immediate investigation should have been conducted. The matter did not reach board level until quite late.

NW: This is an utterly false statement made by Mr. O' Callaghan. As stated previously a number of board members were informed of the Tipperary account as was the Secretary General. These individuals were all informed in 2008. They decided not to pursue the matter. It is scandalous of Mr. O'Callaghan to have the audacity to blame innocent staff.

Mr. Donal Forde: November 2009.

Mr. David J. O'Callaghan: That would have been the first time the Department's representative on the board became aware of it. What happened subsequently is a little unclear. The board agreed fairly quickly to launch an investigation, yet it was not conducted. The previous chairman resigned and, after a gap of eight or nine months, I was appointed as chairman.

NW: My own personal understanding is that that board did everything possible, even after the issue continually appeared in the media, to avoid conducting an investigation until their position became untenable and an investigation was 'conceded' to. It is highly inaccurate to state, as Mr. O' Callaghan does, that the "board agreed fairly quickly to launch an investigation" (see below for statement given by Tony Lawlor to the Nationalist newspaper in July 2010 which contradicts Mr. O'Callaghan's evidence). It would be important to see a record of the Executive Committee meeting minutes to determine at which meeting exactly a decision was taken to investigate the matter. The IRC issued statements to the media in 2009 and 2010 that there was no case to answer and all was in order re the Tipperary account.

Up until July 2010 the figure the media was quoting re the Tipperary account was €150,000. They did not have the correct figure of €162,000. IRC made no attempt to correct this figure when responding to the media.

In July 2010 Mr. Tony Lawlor, Vice Chairman and signatory on the Tipperary account, did an interview with the Tipperary Nationalist newspaper (27th July 2010) over the discovery of the account. Mr Lawlor referred to €150,000 in the account despite knowing full well the account had €162,000 in it. Mr. Lawlor also incorrectly told the Nationalist that all €150,000 had been forwarded to Dublin and spent on Tsunami programs. This was factually incorrect and as Head of the International Department at the time I formally wrote via email to the Acting Secretary General stating that Mr. Lawlor's interview contained factual inaccuracies, namely that the amount of money involved was not €150,000 but €162,000 and that the money had not yet been spent and would unlikely be spent until 2011. As I was in charge of the overseas budget I could state this with certainty. I requested that we correct this with the media as I felt the Society was knowingly misleading the public. I can furnish a copy of this email to PAC should they require. Subsequently the IRC was forced to concede to the media that the sum involved was €162,000 and that the money had yet to be spent.

The link to the Nationalist newspaper article is:

http://www.nationalist.ie/news/local/tipp_tsunami_aid_remained_unspent_for_three_years_1_2253771

Specifically Tony Lawlor states in the Nationalist newspaper interview with the media:

Mr Lawlor said that the administrative error, which resulted in a sum of money donated to the tsunami relief fund remaining unused in a Red Cross account in Tipperary, was discussed and reviewed by senior management, the Red Cross finance committee and the Board at the time.

"It was clearly established that this was simply an oversight and the funds were immediately used in the comprehensive 5-year relief programme to provide humanitarian assistance to those affected by the tsunami. Since then the Irish Red Cross has seen fit to reappoint me as Vice Chairman and I am honoured to serve in this position and will continue to do so with commitment and integrity," he said.

What is particularly relevant is that Mr. Lawlor states the matter was discussed and reviewed “at the time” by “senior management, the Red Cross finance committee and the Board” thereby implying it was discussed and reviewed at the time of the accounts discovery in 2008. It is clear from Mr. Lawlor’s statement that he is also implicitly saying the board closed the matter and determined no further action was required as it was “simply an oversight”. Mr. Lawlor’s statements to the Nationalist in July 2010 clearly contradict and fail to reconcile with the statements issued by Mr. O’ Callaghan and Mr. Forde during the PAC hearing of 19th January 2012.

In the interview the Nationalist also reported:

Mr Lawlor, who was appointed vice chairman of the Irish Red Cross in May and is acting as chairman until the government appoints a chairman to succeed David Andrews who resigned last November, said that the money collected in Tipperary was intact and untouched when discovered by the national organisation and had since been spent on important humanitarian projects.

Following a disclosure this week that a bank account containing the €150,000 collected by the Tipperary branch of the Red Cross for tsunami relief lay untouched for three years until it was discovered in 2008 during a national audit by the Red Cross headquarters, members of the Tipperary branch said all the money donated in Tipperary was spent on tsunami relief.

This week Tipperary branch members Tony Lawlor, who is the acting Vice chairman of the Irish Red Cross and the Tipperary branch chairperson Ellen Keane, made statements thanking people for their donations and informed them that the money had been drawn down as required over a five year period to carry out a number of major humanitarian projects.

As reported earlier Mr. Lawlor was incorrect when he said the money was spent as it was not spent at the time of the interview and it can be seen from reading the full article that Mr. Lawlor was referring to €150,000 which is the figure the media thought was in the account and which Mr. Lawlor made no attempt to correct to €162,000.

Ms. Ellen Keane’s (Tipperary branch chairperson according to Nationalist) statement is also false as the money was not “drawn down as required over a five year period”.

The conflicting evidence and statements issued by Mr. Lawlor, Ms. Keane, Mr. Forde and Mr. O’ Callaghan warrant further investigation.

Deputy Eoghan Murphy: ⓘ 🔍 When was that?

Mr. David J. O’Callaghan: September 2010. I was made aware of the matter. I wrote the investigation’s terms of reference and immediately put that investigation in train. It reported to me in December.

Mr. Donal Forde: Of 2010.

Deputy Eoghan Murphy: ⓘ 🔍 I might revert to that point. Turning to what the Department knew of the undisclosed accounts and whether an investigation was necessary, is Mr. Howard aware of when his Department found out that there was a question mark over the financial controls?

Mr. Michael Howard: The Department’s representative on the committee would have found out when the rest of the committee was made aware of it, but I do not know in what terms the matter was presented to the board or how it appeared at the time. Given Mr. O’Callaghan’s comments, the matter was initially processed as an administrative error, as no money had left the accounts. No great significance was attached to the matter.

NW: Mr. Howard states the above despite receiving a resignation letter from a government appointed board member in mid 2009 resigning over governance and financial concerns. Despite receiving this letter, despite the sudden resignation of the Secretary General in December 2009, despite the sudden resignation of the Chairman in December 2009, despite the numerous parliamentary questions and despite all the negative media coverage surrounding the matter he states “No great significance was attached to the matter”!!! Is it any wonder the ruling cabal at the Society felt they could act with immunity.



It may be relevant that, at the end of 2009, the previous chairman and the general secretary resigned. There were an acting chairman and an acting general secretary in 2010. I want to be careful in terms of what I say. I have no recollection of difficulties of a very serious nature being brought to my attention other than during the course of 2010. I could not put my hand on my heart and give a date in relation to when.

NW: It is just not credible that the resignation of the IRC Secretary General in December 2009, 18 months early on his contract and the resignation of the Chairman, two and a half years early on his three year term, on the same day in December 2009, which followed just six months after the resignation of board member Jennifer Bulbulia over concerns about governance and finances, would not send alarm bells off in the Department of Defence. All of this must be put in the context of a highly dysfunctional and troubled organisation over a twenty year period which the DoD was fully knowledgeable of. There was extensive negative media coverage on the IRC during 2009 that Mr. Howard’s representative on the board would have been fully aware of because it was discussed in detail by the board and official IRC press releases were issued and copied to all board members. This media coverage outlined issues around misgovernance, financial irregularities, incompetence and undisclosed bank accounts.



It must be asked at what stage does indifference and inaction amount to dereliction of duties and negligence? Surely the DoD stands indicted?

Deputy Eoghan Murphy:   Was Mr. Howard Secretary General in 2009?



Mr. Michael Howard: I have been Secretary General since October 2004.

Deputy Eoghan Murphy:   So, if a Government representative on the executive committee resigned from the Red Cross, citing loose financial controls, impropriety or undisclosed bank accounts, that would come across Mr. Howard's desk?

Mr. Michael Howard: I am giving an honest answer when I say it does not spring to mind now. The Deputy will appreciate that the organisation of which I am the Secretary General and the account for which I am the Accounting Officer are fairly large in scope.

Deputy Eoghan Murphy:   Of course.



Mr. Michael Howard: As such, a huge volume of stuff comes across my desk. I am being perfectly honest when I say that I do not recall it. I would have to check the records to give the Deputy a definitive answer.

Deputy Eoghan Murphy:   I am aware that the Secretary General has received correspondence making the point that the Department was made aware in 2009, through the resignation of one of the members of the board, that there was a serious problem in regard to undisclosed accounts and money that had not been put into the central account fund for the society. It is mentioned in correspondence to the committee that had happened.



Mr. Donal Forde: May I interject?

Mr. David J. O'Callaghan: We might be able to throw some light on that.

Mr. Donal Forde: That is not an accurate representation of what happened. As the Deputy stated, there was a resignation but it was not linked to the Tipperary accounts. It is important to be clear in that respect.



Deputy Eoghan Murphy:   A resignation took place. My understanding is that - I have not seen the letter of resignation but it can be discovered - the person concerned resigned owing to deeply held concerns in regard to poor governance and loose financial controls in the organisation. I do not know if reference was made to a particular account.

Mr. Donal Forde: The Deputy is correct but it did not-----

Deputy Eoghan Murphy:   That is when the Department of Defence first became aware of the fact-----



Mr. Donal Forde: What the Deputy says is correct but it made no reference to Tipperary. Tipperary was not known about at the central forum at that point.

NW: Another utterly false statement by Mr. Forde. I will not repeat previous points but Ms. Bulbulia was aware of the Tipperary bank account at the time of her resignation in June 2009 (as were a number of other Board members and senior managers) and the failure to investigate was central to her decision to tender her resignation. Perhaps Ms. Bulbulia could be asked to confirm this.



Deputy Eoghan Murphy:   I am asking what the Secretary General of the Department knew at that point and what might have been brought to his attention.

Mr. Donal Forde: No one in the governance forum of the Red Cross knew at the point of that resignation about the Tipperary account.



NW: Totally inaccurate statement by Mr. Forde. I fail to comprehend how Mr. Forde would not be aware of this as I understand he was briefed off the record by a number of people soon after his appointment on such matters and on exactly what happened and who knew what when. Perhaps he has decided to discount that information, despite coming from reliable credible sources. Any independent investigation would immediately confirm the inaccuracy of Mr. Forde's evidence. Mr. Forde's statements are simply not credible and why he chose to make them only he can know.

Deputy Eoghan Murphy:   In 2009?



Mr. Donal Forde: At that point in 2009.

Deputy Eoghan Murphy:   One year after it had actually been discovered by people working in headquarters.

Mr. Donal Forde: As stated, they did not know.

Deputy Eoghan Murphy:   Perhaps Mr. O'Callaghan will elaborate a little on the investigation into this account and the undisclosed accounts. How many people took part in the investigation? Was a team of investigators involved or-----



Mr. David J. O'Callaghan: A team of three competent people.

Deputy Eoghan Murphy:   Were they external to the organisation?

Mr. David J. O'Callaghan: They were external to the executive committee.

Deputy Eoghan Murphy:   Not to the Red Cross.

Mr. David J. O'Callaghan: No.

Deputy Eoghan Murphy:   It was initially intended to have an external investigation. It was announced that there would be an external investigation but then there was a change of mind.

NW: *"The Irish Red Cross has appointed an independent accounting firm to investigate how €162,000 of donations to victims of the Asian Tsunami went untouched for over three years in a Tipperary bank account-saying it has "nothing to hide"*"-5th September 2010, Sunday Independent

"The Irish Red Cross, which has been dogged in recent months by high turnover of senior staff, allegations of improper governance, financial mismanagement and operating in a "toxic" culture, has abandoned its independent inquiry into how €162,000 in donations

languished in a Tipperary bank account controlled by a former acting Chairman (Tony Lawlor) for three years”-10th October 2010, Sunday Independent

Mr. David J. O’Callaghan: Yes. That was my decision. I thought a sub-committee of the board would be an appropriate response to this type of thing. I did not see any justification for paying good money to an outside accountancy firm or consultants when we had competent people within the organisation who were willing to do this work, as in the case of most work done in Red Cross, on a *pro bono* basis.

Deputy Eoghan Murphy: ⓘ 🔍 It did not bother Mr. O’Callaghan, given the fact that there seemed to be informal accounting procedures in the organisation, that one of the people directly involved held the position of vice chairman of the national organisation. It did not bother him that the organisation might not be able to investigate itself, in particular in light of what had gone on.

Mr. David J. O’Callaghan: It is a large organisation. The people involved were totally divorced from the Tipperary account and the executive. They were totally independent **NW: The 3 people tasked with investigating their colleagues, one of whom-the national Vice Chairman- was far more senior than they within the Society were not independent in that they were all governance members investigating fellow colleagues. There was a very clear conflict of interest based around the positions held or previously held by these individuals and the nature of certain relationships between those investigating and those being investigated.** I know the Deputy is not questioning any member’s qualifications. The team was made up of accountants, consultants and included the CEO of the Catholic Institute for Deaf People, a former chief executive of the International League of Credit Unions and a the former head of the Society of St. Vincent de Paul, who chaired the group.

Deputy Eoghan Murphy: ⓘ 🔍 The three people involved had no direct relationship with anyone being investigated.



NW: At least one investigating member’s spouse is known to be very friendly with Mr. Lawlor, the subject of the investigation.

Mr. David J. O’Callaghan: None whatsoever. It was a thorough investigation. The report did not hold back on punches. It pointed to poor governance, in respect of which we put our hands up. The team reported the full picture, bad and all as it may seem.

NW: The report is seriously compromised, firstly because it was an internal review and secondly, as articulated earlier, most of the key senior people involved in senior positions at the time were purposely excluded from the interview process. The report fails to blame or name any individual and fails to recommend anyone be held to account. Instead it does what compromised internal whitewashed reports always do...blame intangibles such as systems and procedures. No action was taken against any individual responsible for the serious breaches of financial policy and procedure as well as those who failed in their fiduciary responsibility.



As mentioned previously the investigators failed to interview Carmel Dunne-former Secretary General, Noel Wardick-former Head of International Department, Jennifer Bulbulia-former Honorary Secretary to the Board, David Andrews-former Chairman and Denis Kavanagh-former Head of Finance. Those interviewed, excluding the junior

finance department staff member, were either implicated in keeping the Tipperary account undisclosed or responsible for failing to investigate the matter.



Deputy Eoghan Murphy:   What reason was given for non-disclosure of the Tipperary account in 2005, 2006 and 2007?

Mr. Donal Forde: The report acknowledges that informal discussion was taking place and that there was no formal recording of the accounts at the centre. It also states that given the timeframe in which the moneys were to be spent it was “understandable” that those in Tipperary felt it was not unsurprising that the money had not all been “consolidated” at that time. They are the terms used.

NW: Mr Forde is very disingenuous here. Informal discussion was not taking place. That is not how the IRC worked at the time. The rules were simple. Branches must submit overseas appeal money to HQ immediately after it is raised. Every other branch followed procedure. There was no place for informal discussions over such matters and it did not happen. Mr. Forde neglects to mention that as stated in the IRC internal report the Tipperary branch not only failed to declare the Tipperary Tsunami account but that in 2005 and 2006 it failed, breaching all IRC financial policy, to submit any financial returns (normal branch accounts, income, expenditure etc) to head office. Its 2007 return was submitted extremely late, only in November 2008, and even then was incomplete (missing bank statements and reconciliations). The IRC report also states that “a further concern was that when the 2007 return was submitted by the Tipperary Branch there was no mention of the Tsunami account”. In relation to this the IRC Report states “This is a clear breach of IRC rules and should have resulted in the branch (Tipperary) being issued with a final warning, and if the matters remained unresolved being closed down”.

Deputy Eoghan Murphy:   Does Mr. Forde think it understandable the matter had not been reported? I acknowledge Mr. Forde was not there at the time but looking back now does he think it was understandable?

Mr. Donal Forde: No. It is easy for me to speak of those events in the context of the rigour and disciplines we have introduced since. I do not believe it is appropriate for me to comment further.

Deputy Eoghan Murphy:   Mr. Forde did say it should not have happened and that he apologised for it.

Mr. Donal Forde: Yes.

Mr. David J. O’Callaghan: Yes, we do.

Mr. Donal Forde: We have been open and transparent about the fact that it is as the Deputy described an unacceptable failing of our governance **NW: If this is the case then why have those responsible for such failings not been held to account? And why does one of them remain the singular most influential and dominant person within the Society?.** That has been acknowledged. Since my arrival and the putting in place of the new leadership team, we have been putting that right.

Vice Chairman: ⓘ 🔍 It seems extraordinary that the head of finance would not have communicated with the general secretary of the organisation at the time. What was the time lag between the head of finance being made aware of this €160,000 and it being brought to the attention of the board?

Mr. Donal Forde: I see no evidence of such communication.

Vice Chairman: ⓘ 🔍 The head of finance would not have been a member of the board?

Mr. Donal Forde: No.

Vice Chairman: ⓘ 🔍 Would the general secretary?

Mr. Donal Forde: Would attend at the board.

Vice Chairman: ⓘ 🔍 What was the timelag between the head of finance being made aware of the €160,000 and it being formally presented before the board?

Mr. Donal Forde: From September 2008 to November 2009.

NW: As outlined already on numerous occasions a totally false statement by Mr. Forde. Upon discovery of the Tipperary account in April 2008 the Secretary General was immediately informed by the Head of Finance/Consultant. Soon after the Chairman-David Andrews was informed as were board members Jennifer Bulbulia and Judge Rory Mac Cabe. It is possible the Treasurer-Des Kavanagh-was also informed but I cannot confirm this. Noel Wardick, Head of International was informed by the Secretary General in late Sept/early Oct 2008. I believe Ms. Bulbulia outlined her reasons for resigning to all Central Council members circa June 2009 and while she may not have specifically referred to the Tipperary account she did refer, as she did in her letter to the Department of Defence, to misgovernance and financial concerns.

Vice Chairman: ⓘ 🔍 Approximately 14 to 15 months. It would appear extraordinary to the ordinary person looking in that the head of finance would not communicate with the general secretary on this particular point. It was around the time of the resignation to which Deputy Murphy referred that this arose.



NW: Mr. Forde's evidence in this regard is inaccurate and untruthful. Whether it is knowingly so only he can tell. The Vice Chairman of PAC is correct to say Mr. Forde's evidence is "extraordinary". Its not just extraordinary it is false.

Mr. Donal Forde: It was in July. The timeframe involved is from September 2008 to November 2009. I understand that the resignation took place in July 2009. The reasons cited for the resignation were poor governance, under-developed systems and control of supervision but there was no specific reference to Tipperary.



Vice Chairman: ⓘ 🔍 There are questions to be answered in that regard. Mr. O'Callaghan referred to the investigation. It would be normal for an organisation of the size of the Red Cross, when it comes across large sums of undisclosed money, to bring in external investigators. This would be good corporate governance for any company. It is hard for people, regardless of whether or not they know other members, to investigate them.

Mr. David J. O’Callaghan: I accept the Vice Chairman’s point. In all the organisations in which I have worked the internal auditors, often tasked with much bigger investigations than this, knew all the other employees in the organisation. I thought this was an appropriate response given the independence and calibre of people involved, who did not hold back from pulling their punches in the production of their report. It is a damning report of our governance at the time. With respect, I do not believe an external group of consultants - I must be careful about how I disburse the funds of a charitable organisation. After all, they are donor contributions. I thought we had the capacity. My judgment was borne out in-----



NW: Rumours have circulated ever since the publication of the IRC internal report that the version published was a highly sanitised version compared to the original draft report submitted. Central to these rumours are that the findings in the original draft are far more damning and incriminating than the version released to the public. I have no way of substantiating these rumours and no way of confirming whether an original report did exist and/or remains in existence. Perhaps Mr. O’ Callaghan could be asked to give evidence specifically on this matter.

Vice Chairman:   I am not questioning the personal integrity of the people involved.

Mr. David J. O’Callaghan: I know.

Vice Chairman:   However, in terms of good corporate governance, it might in hindsight have been wise to bring in external consultants to do that work.



Mr. Donal Forde: It is important to make the point and to recall that there was no misappropriation of money involved **NW: Whether this statement is accurate or not is not the point. Prior to the investigation, internal or external, it could not have been determined as fact that no misappropriation of funds had occurred so therefore it follows that it cannot be used as a reason for limiting the investigation to an internal one..** The report concludes there was no malevolence involved. It concludes that this was in the space of bad administration, governance and controls. I would draw a distinction between an organisation that found something of the order of misappropriation or malevolence, which is one context within which to conduct an investigation, and the conduct of an investigation where *prima facie* there was none, which the findings subsequently confirmed **NW: A highly compromised report cannot and should not be relied upon to make statements of supposed fact.**

Deputy Eoghan Murphy:   What came of the investigation? Was any disciplinary action taken?



Mr. David J. O’Callaghan: No, there was no disciplinary action as such.

Deputy Eoghan Murphy:   Are the two people who were signatories of the Tipperary account still signatories of any financial accounts within the Red Cross nationally or locally?

Mr. Donal Forde: No, I do not believe they are.

Deputy Eoghan Murphy:   They are no longer able to sign off for any bank accounts in the Tipperary branch.



Mr. Donal Forde: At the time, this was a specific account for the purpose of gathering funds after the tsunami disaster. These people were not signatories to the general accounts in Tipperary then and not today, to my knowledge.

Deputy Eoghan Murphy:   The witness is saying neither of those people are able to sign off for funds donated or expenses.

Mr. Donal Forde: I can speak for one, certainly. The vice chairman is not a signatory to those accounts. I cannot speak with the same confidence about the second person.

NW: It is very important to note here that the individuals involved in the Tipperary undisclosed account are in no way prevented from being signatories on IRC bank accounts, whether locally at branch level or nationally. No sanctions or disciplinary action was taken against anyone. It's essential to understand that those involved in the Tipperary account are still free and entitled to become signatories on IRC bank accounts in the future. There is nothing stopping them from doing so. From Mr. Forde's response it's not clear both individuals involved in Tipperary are 100% not currently signatories on ANY Irish Red Cross bank account. I also believe there are more than just two Tipperary officials who were involved in the Tipperary tsunami account.



The Irish Red Cross has a number of trustees. It would be worthwhile finding out who these trustees are and what their trustee roles entail.

Deputy Eoghan Murphy:   Is it possible to get a copy of the letter sent to the bank asking for an investigation of the four undisclosed accounts?

Mr. Donal Forde: It was not for an investigation. There was a request to provide, essentially, details of the accounts. I want to make clear there was no investigation.

Deputy Eoghan Murphy:   May we have a copy of that correspondence?

Mr. Donal Forde: Yes, absolutely.

Deputy Eoghan Murphy:   I wish to move on to the auditing of the Red Cross, which is to stay on the theme of financial controls and management. How often is the Red Cross audited?

Mr. Donal Forde: The published accounts of the Red Cross relate to its head office activities and are audited annually.

Deputy Eoghan Murphy:   It is just the head office.



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   That happens every year.

Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Who are the auditors?

Mr. Donal Forde: It is BDO.



Deputy Eoghan Murphy:   That does not include any of the branches or regions.

Mr. Donal Forde: For the published accounts, the audit process undertaken by BDO relates to head office accounts.



Deputy Eoghan Murphy:   Who audits individual branches?

Mr. Donal Forde: There is a process. For the past four years, the society, like many others, has been endeavouring to move to a consolidation of its branch accounts. It has been a painful four-year journey. One can imagine a scenario where 150 branches staffed by volunteers need a professional treatment of accounts; the process has taken some time but we are there. I can talk the Deputy through the journey. We are now at a point where, essentially, all the accounts of the branches of the Red Cross for 2011 will be audited, consolidated and published.

NW: it is to be noted that the Rules of the IRC state very clearly that the whole organisation must be audited externally every six months. In its 72 history the IRC has failed to conduct a full organisational wide audit. As reported earlier the Chartered Accountants Regulatory Board (CARB) is currently investigating BDO over the handling of the IRC audit especially around properties and the issue of representing the audited accounts as those of the whole Society when in fact they only represent the head office of the Society.

Deputy Eoghan Murphy:   Is that all the branches of the society for 2011?



Mr. Donal Forde: They will be audited and published.

Deputy Eoghan Murphy:   I understand the difficulty as Fine Gael as a party has a similar operation, with hundreds of branches around the country and each year each branch would submit its own financial accounts to the constituency executive before going to headquarters. We have been doing that for some time. Is BDO satisfied with the accounts in the Red Cross?



Mr. Donal Forde: Yes, unconditionally and absolutely.

Deputy Eoghan Murphy:   Concerns were raised previously.

Mr. Donal Forde: To what is the Deputy referring?

Deputy Eoghan Murphy:   In 2005 and 2006, BDO raised concerns regarding the ability to prepare proper accounts and a lack of financial information regarding individual branches. These concerns were raised again in 2008.



Mr. Donal Forde: I believe the Deputy is referring to the management letters at the time.

Deputy Eoghan Murphy:   I am trying to ascertain if the auditors were satisfied.



NW: BDO has issued extremely strongly worded management letters to the IRC over a number of years including 2005, 2006, 2007 and 2008. In these letters serious questions are raised over the Society's ability to report on and manage its finances. The 2010 Comptroller and Auditor General's report makes this very clear.

Mr. Donal Forde: I should be clear. The auditors are satisfied with the accounts of the Red Cross today and at no point have the auditors ever introduced any qualification to the accounts of the Red Cross.



NW: Clearly it is a disingenuous statement to say that the auditors are “unconditionally and absolutely” satisfied with the Society's accounts when the evidence points to the contrary. If BDO raises numerous serious concerns in writing about the Society's ability to properly account for its finances over a number of years Mr. Forde cannot state they are satisfied with the Society “unconditionally and absolutely”. Perhaps BDO could be asked to substantiate and confirm that they are “unconditionally and absolutely” satisfied with the Society's accounts.

Deputy Eoghan Murphy:   In previous years the point has been made to the organisation that the auditors were not satisfied the organisation has the ability to prepare proper and complete accounts.

Mr. Donal Forde: Yes, that was through their management letters.

Deputy Eoghan Murphy:   What happened then? The issue was raised in a management letter in 2005 and there was a concern about the ability to audit all the branches, which is in accordance with the rules of the society.

Mr. Donal Forde: No.

Deputy Eoghan Murphy:   Is that incorrect? In 2005-----

Mr. Donal Forde: Essentially, the rules of the society are that we produce audited accounts for our head office activities, which we have been doing.

NW: This is another completely inaccurate statement by Mr. Forde. As part of the Chartered Accountants Regulatory Board (CARB) investigation into BDO, BDO formally stated in a letter to CARB dated 16th September 2011 “Whereas the Rules of the Irish Red Cross Society require financial statements to be prepared for the whole of the Society, historically the Society has been unable to incorporate branch activities into the financial statements.”

The specific rule dealing with the Society's audit is Rule 14 and it states:

Rule 14

The accounts of the Society, which shall be audited by a duly qualified auditor appointed by the Central Council, shall be made up half yearly and shall be submitted to the ordinary general meeting of the Central Council held next after such audit.



Nowhere in the IRC Rules does it say that only the IRC HQ has to be audited. Clearly reference to ‘the Society’ refers to the whole Society and clearly the external auditors, BDO, concur with this.

In addition Rule 60 of the IRC states:

Rule 60

The books of each Branch and Area Committee shall at reasonable times and after reasonable notice be open for inspection by any person duly authorised by the Executive Committee for that purpose. A Branch which refuses or fails to send yearly returns and/or accounts to the General Secretary of the Society after the Executive Committee has communicated with the Area Committee and has received a report from that Committee, may be declared by the Executive Committee to cease to be a Branch of the Society and all moneys, books and accounts shall thereupon be handed over to the Honorary Treasurer of the Central Council.



It is clear from the above that the Tipperary branch officers ignored Rule 60 and the Board of the IRC failed in their fiduciary duties to implement it.

Deputy Eoghan Murphy:   It is just for head office activities.



Mr. Donal Forde: Yes, and it was decided that the organisation should recognise a need to move on and begin to address the upcoming requirements of the Charities Act.

Deputy Eoghan Murphy:   When did that happen?

Mr. Donal Forde: That process goes back to approximately 2006.

Deputy Eoghan Murphy:   It has taken almost six years to get from BDO raising concerns in 2005 about the ability to prepare accounts and the lack of financial information regarding branches to where we are now. The concerns raised by BDO at that time have been addressed now.



Mr. Donal Forde: I would not go that far. It is only now that we are in a position to produce fully consolidated accounts. Along the road there have been incremental steps each year that go to addressing the issues raised.

Deputy Eoghan Murphy:   Was there any reluctance in the organisation to adopt new financial controls or begin to audit branches?

Mr. Donal Forde: There was none at a governance level, although there has been a long journey - alluded to by the Deputy - to try to get volunteer branch treasurers into the discipline of producing information in the required way.



NW: Mr. Forde tries to give the impression that the ‘governance level’ is somehow different/separate vis a vis the individuals who make it up from the branch and area level within IRC. The vast majority of Central Council members (IRC supreme governing authority) are also local Branch and Area officers. The reason the ‘journey’

as Mr. Forde refers to it has been painstakingly and unnecessarily slow is because of resistance by the most influential board members who have tried to minimise, delay and prevent HQ interventions and oversight of local branch and area finances and affairs. The obvious example is the Tipperary branch which has historically been one of the worst offenders for not submitting financial controls and which the Society's national Vice Chairman is a senior officer and member of.



Deputy Eoghan Murphy:   Did the external auditors state that the Red Cross is in breach of standard accounting practices for charities?

Mr. Donal Forde: No.



NW: A shocking untrue statement by Mr. Forde. See below for exact wording in the IRC audited accounts

Deputy Eoghan Murphy:   It did not state as much in reference to the property portfolio, which was not recorded.

Mr. Donal Forde: I believe the note referred to by the Deputy makes a statement that when the society adopts standard accounting practices, it may need to change its accounting treatment. We should be clear that the accounts of the society are prepared on general accounting principles

Deputy Eoghan Murphy:   They are not prepared on the basis of standard accountant practices.

Mr. Donal Forde: No, it is general accounting principles.



Deputy Eoghan Murphy:   None of the property portfolio is recorded.

Mr. Donal Forde: I am happy to speak about the property portfolio issue if the Deputy so wishes.

Deputy Eoghan Murphy:   Yes.

Mr. Donal Forde: The confusion in this regard goes back to a note in the accounts for the past three years, which is essentially a disclosure note on the part of the board. There was an unease around the executive table for this reason. There was a burglary at the head office premises a number of years ago and some of the deeds of title and other ownership records were lost **NW: A highly misleading statement by Mr. Forde as the burglary he refers to took place sometime in the mid 1980s, circa 1984. Such an excuse cannot possibly be used to explain why 28 years later the IRC still fails to record its extensive property portfolio in its financial accounts. In addition the list of 17 properties provided by IRC to the PAC in their correspondence of 2nd February 2012 clearly demonstrates that twelve (12) of the properties were either purchased or donated long after 1984 and so the robbery could have had no hand, act or part in explaining why these properties were excluded from the IRC financial statements. In fact nine of the properties were purchased or donated since 2000. Another aspect within the property issue is the fact that the Irish Red Cross has over the years both bought and received, via donations, properties that were then subsequently sold. None of these properties appear in the list**

of 17 provided to PAC and none of these were ever recorded in the Society's accounts. Ultimately what is required from IRC is a complete list of all properties they have ever owned, which ones were subsequently sold and for how much and which ones remain (presumably the list of 17). Questions must be asked of Mr. Forde why he used a 1984 robbery to explain the practice of not recording the purchase and donation of properties that occurred long after 1984. They were not reconstituted as early as they should have been. There was some unease around the table that this had implications for the manner in which the properties were represented in accounts. As with other matters, that should have been addressed more quickly. We have worked on a project for the past four or five months, which is now complete. We now have full files on the 17 properties of which the society has ownership, although the ownership documents in three cases will only be fully in place within the next few weeks. The process is under way. In light of that full set of information, the property assets relating to the head office have been properly recorded in the accounts at all times. That is worth repeating.

Deputy Eoghan Murphy:   What does that mean?

Mr. Donal Forde: At every point throughout the course of the period we are talking about, those properties have been properly recorded on the balance sheet.

NW: Mr. Forde's evidence on properties is at complete variance and totally contradictory with the signed off externally audited (by BDO) accounts of the IRC which clearly state in the years 2008, 2009 and 2010 (and possibly pre 2008) the following:

Under the Accounting Policies section of the 2008, 2009 and 2010 audited accounts the following is stated:

Properties

Properties given for use and now owned by the Society are not currently recognised in the Society's financial statements. This is at variance with Statement of Recommended Practice (SORP) 'Accounting for Charities' which requires that assets given for use by the Charity should be included as income when received and an equivalent amount capitalised on the balance sheet.

In Note 13 of the audited accounts of 2008, 2009 and 2010 under Fixed Assets the following is stated:

The Society owns a number of properties whose cost is not reflected in the book value of fixed assets. It is believed that these properties were given for use by the Society over a period of years. The insured value of these properties is approximately €7 million (€4.5 million in 2008). No professional valuation on an open market existing use basis has been undertaken. The Society is currently examining the best way to incorporate these assets in the Society's Financial Statements in the future.

As far back as 1992 the IRC was aware that its policy of not recording its properties in its financial statements was incorrect and needed to be addressed. Correspondence can be provided to PAC to verify this.

It is also important to note that organisations in receipt of Irish Aid government funding are obliged to adhere to SORP accounting standards. IRC does not use SORP but is a recipient of Irish Aid funds.

In 2008 the BDO audited IRC accounts have recorded properties on the books to the value of €200,381. The audited accounts also state that unrecorded properties have an estimated insured value of €4.5 million.



In 2009 the BDO audited IRC accounts have recorded properties on the books to the value of €491,981. The audited accounts also state that unrecorded properties have an estimated insured value of €7 million.

In 2010 the BDO audited IRC accounts have recorded properties on the books to the value of €501,906. The audited accounts also state that unrecorded properties have an estimated insured value of €7 million.

The facts as stated in the externally audited IRC accounts over a number of years therefore clearly contradict Mr. Forde's evidence that *"At every point throughout the course of the period we are talking about, those properties have been properly recorded on the balance sheet"*.


Deputy Eoghan Murphy:   How are they recorded?

Mr. Donal Forde: The accounting treatment requires them to be shown at their acquisition value, which has been done.

Deputy Eoghan Murphy:   Is there income from other properties?

Mr. Donal Forde: We receive almost €5,000 in rent: €3,000 from a bridge club, €1,000 from girl guides and €1,000 from somebody else.

NW: Nowhere in the IRC audited accounts is there any specific reference to the above income in either the figures or notes. It may be that the income is merged under the one heading 'Unrestricted Income' but it is certainly not possible to determine or know from the accounts that IRC receives rental income from properties. Perhaps IRC could be asked to confirm that this rental income is in fact included in the accounts given that the vast majority of the properties are not included.

Deputy Eoghan Murphy:   How did the society come by these properties?



Mr. Donal Forde: One property was donated in 2001. All the others have been acquired, in one form or another, over 70 years.

Deputy Eoghan Murphy:   There are 17 properties.



Mr. Donal Forde: Yes. I have a list if the Deputy wishes to see it.

Deputy Eoghan Murphy:   Could it be made public?



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   The properties are insured for €7 million.

Mr. Donal Forde: They were at one point. They are now insured for €4 million.


Vice Chairman:   Were they acquired by local branches or head office?

Mr. Donal Forde: It was both. No more than three or four, a small number, were acquired exclusively by head office. Typically, the arrangement was for the local branch to gather funds, perhaps for 30% to 70% of the price, and on occasion there may have been an approach to head office for the balance to buy the building.



Vice Chairman:   Could there have been cases where a local branch could have bought a building without the approval of head office?

Mr. Donal Forde: Not to my knowledge.



NW: I am not sure the above can be said with 100% certainty

Vice Chairman:   What is the highest value for the properties?

Mr. Donal Forde: If there are 17 properties with a total of €4 million in value-----


Vice Chairman:   Are many of very high value that were purchased for significant sums?

Mr. Donal Forde: The property of greatest value is approximately €500,000.



Vice Chairman:   Is that the headquarters?

NW: Headquarters (16 Merrion Square, Dublin 2) is owned by the Government (Office of Public Works) and is leased to the IRC for a nominal rent of €1 per annum. The donation of this property free of rent in the heart of Dublin city's prime business rental market is a highly valuable and significant government contribution that is very often overlooked by commentators. When discussing government support to IRC the commentary focuses on the Department of Defence grant. The use of a high value government owned building by the IRC free of charge should not be overlooked and should be monetised when calculating the value of government support to the Society.



Mr. Donal Forde: No, it is the property donated in 2001. We use it as our national training centre and it is Kilbehenny.

Deputy Eoghan Murphy:   There are a large number of properties. What are they being used for?



Mr. Donal Forde: They are used for training and therapeutic hand care sessions. They are used for many different activities.

Deputy Eoghan Murphy:   They are located throughout the country.

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   Do people receive benefit-in-kind for using the properties? Are any of them residential?

Mr. Donal Forde: No.

Deputy Eoghan Murphy:   Regarding control of the portfolio and managing it within the organisation, who does that fall to?



Mr. Donal Forde: Today it is the head of finance, Ms Breda Hawkshaw, who is in attendance.

NW: Up to and including 2010 no-one had responsibility for managing the property portfolio and no-one in head office (possibly outside the Secretary General) knew where the properties were or what the portfolio consisted of. Given the power of IRC Areas and Branches and the Board's general reluctance to allow HQ intervene in local matters I would question whether Ms. Breda Hawkshaw has in reality much control or influence over any of the properties and the uses to which they are put.

Deputy Eoghan Murphy:   Is Mr. Forde satisfied that the every item of property in the portfolio that exists under the control of the Irish Red Cross Society can be accounted for and that it can be recorded properly?

Mr. Donal Forde: That has been done. It should have been done sooner and this disclosure note and the unease would not have arisen if it had been done sooner. This information is available and can be made public. We have complete files on all of this. The position in respect of representing those properties is absolutely accurate.



NW: Despite the above statements the IRC HQ has never ever released the list of properties, not even to its supreme governing body, the Central Council. The information was kept a closely guarded secret by those few who control and dominate the Society and who serve on the Executive Committee. The first time members of the Central Council were able to access the property list was when the IRC released it to the PAC on 2nd February 2012. If not morally pressured into doing so by PAC it is highly unlikely this information would ever have been released. This goes to the heart of the secretive non transparent and closed nature of the Society and the failure of its own governance to stand up to it.

Vice Chairman:   How long have those properties been held by the Irish Red Cross?



Mr. Donal Forde: Since 1953.

Vice Chairman:   The properties have been *in situ* for over 50 years.

Mr. Donal Forde: Some of them have been.



Vice Chairman:   And they have never been reflected in the accounts.

Mr. Donal Forde: They were always properly reflected in the accounts.

Vice Chairman:   They were not reflected in the financial statements.



NW: The Vice Chairman of PAC is correct and Mr. Forde is incorrect and once again has issued an inaccurate statement. See above for the explanations.

Mr. Donal Forde: Financial statements relate to our head office activities and include the property assets appropriate to the head office. Other properties are on the branch accounts and do not feature because these are not published. They will feature in the 2011 accounts.

Deputy Eoghan Murphy:   The properties that come under the branch accounts have not featured in the annual reports of the organisation.

Mr. Donal Forde: No, because the organisation has not reported on a full branch basis.

NW: The IRC Annual Reports and the accounts contained therein only apply to head office. The millions of Euros held, spent and earned by the Areas and Branches have never been recorded in the Society's Annual Reports or in its audited accounts. The Annual Reports are therefore potentially misleading as they give the impression of a Society wide report when they are in fact not. The Annual Reports should state the accounts not only relate to only a portion of the Society (HQ) but that the accounts do not contain information on its Regions, Areas and Branches.

Deputy Eoghan Murphy:   How many of the properties are owned by branches?



Mr. Donal Forde: The picture is a little complicated because there is part-ownership where the branch has made a significant contribution. Perhaps half of them are owned by the branches and half of them are jointly owned.

NW: When properties are jointly owned is this clearly stated in the Deeds? What is the legal status of these arrangements?



Rule 62 of the Irish Red Cross states:

Nothing in these rules shall be construed to authorise any Branch or Area Committee to pledge the credit of the society without the prior consent of the Executive Committee, or to give a Branch or Area Committee a right of ownership over any funds or property held by or on behalf of the Society



The above Rule would appear to preclude Branches of Areas from actually owning property on behalf of the Society.

Deputy Eoghan Murphy:   A branch will go to the head office and say that it wants to purchase premises and the organisation enters into some negotiation. The branches are not using the premises all the time because it is a voluntary organisation. While people give a lot of time to the organisation, they do not need premises all of the time. Do they lease premises?



Mr. Donal Forde: No, we have 150 branches and 17 properties. Only the large centres have this set-up. Properties are made available to other volunteer organisations in some cases. We receive payment in only three cases, to a total of €5,000. In many other cases it is given for free and is volunteered to others.

Deputy Eoghan Murphy:   When it is given for free, is it given to voluntary organisations to use?



Mr. Donal Forde: There are informal arrangements throughout the country and that is a matter for local volunteers.

Deputy Eoghan Murphy:   Are there any commercial arrangements?



Mr. Donal Forde: There is a rental payment in only three cases that I know about.

Deputy Eoghan Murphy:   Is there an informal relationship with a commercial organisation that does not pay rent?

Mr. Donal Forde: No.



Deputy Eoghan Murphy:   Might there be a commercial organisation not paying rent because of an understanding between the organisation and the local branch?

Mr. Donal Forde: I am not aware of any.

Deputy Eoghan Murphy:   Is Mr. Forde happy that he knows of the full activities happening in any of the buildings under the ownership of the Irish Red Cross?

Mr. Donal Forde: I believe I do. As part of the work we have done, we asked every branch for a return about every property related item of information. We have collated this at the centre and I am speaking with a degree of confidence.

NW: Given that in one bank alone (Bank of Ireland) the Society discovered 49 undisclosed branch bank accounts including one with €162,000 in it and another with an €8,058 overdraft how can Mr. Forde assure the PAC with any ‘degree of confidence’ that information provided by branches on property usage is 100% accurate?

Deputy Eoghan Murphy:   We are touching upon financial management and governance issues. Mr. Forde stated that the organisation is in the process of making considerable reform in that area. An external report on governance was produced in 2005 and 2006 - is that correct?



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Was that acted upon?



Mr. Donal Forde: The Deputy is referring to the Finlay report, which was carried out by an external consultant who made several recommendations. The short answer is that it was not acted upon immediately. Most of the recommendations related to reform of the constitution of the Irish Red Cross. That process has been started and is a long and painful process that is not yet complete. Those particular recommendations were not implemented immediately.

NW: The reforms were not acted upon at all. The report was effectively shelved because it suggested fundamental reform to governance structures that would have seen long



serving members eventually have to step aside. The report recommended maximum terms of office and these were anathema to the board of IRC.

Deputy Eoghan Murphy:   Where do the reforms being implemented now come from?



Mr. Donal Forde: There was a subsequent report in 2008, with a growing emphasis in the society on governance and control. Professor Roger Downer of the University of Limerick conducted a report on governance and the recommendations on governance were almost completely in line with the previous report. I can make the detail of the report available to members.

Deputy Eoghan Murphy:   Was it in line with what Mr. Finlay had suggested?



Mr. Donal Forde: Yes. In fact, it was a little stronger in some places.

Deputy Eoghan Murphy:   Perhaps this was necessary because Mr. Finlay's recommendations were not implemented.



Mr. Donal Forde: I do not think that is the case. Many of Mr. Finlay's recommendations related to reform of the constitution, and that process has started. That is happening as one development. From the conversation we have had, the Deputy can see there was a growing emphasis on governance and administration in 2008 so the second report was commissioned with a slightly broader remit. Coincidentally, it makes many of the same recommendations.

Deputy Eoghan Murphy:   Did Mr. Downer draw up those recommendations and proposals on his own or was he assisted by a committee?



Mr. Donal Forde: There was a committee of eight, with two advisers.

Deputy Eoghan Murphy:   Did the vice chairman of the organisation sit on the committee?

Mr. Donal Forde: Yes he did.



Deputy Eoghan Murphy:   Is this the vice chairman who was also a signatory to the Tipperary bank account?

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   Did he sit on the committee to draw up the reform proposals for the organisation that are now being implemented?

Mr. Donal Forde: That was the consultative group and any changes to the constitution must come to the central council.



NW: The reality within the IRC is that proposals are presented to the Central Council as a *fait accompli*. There they are then rubber stamped. It is well known the Vice Chairman was a major resistor to any fundamental reform of governance. The proposals were drawn up under a veil of secrecy with virtually no wider membership or staff consultation.

Deputy Eoghan Murphy:   What is the vice chairman's term of service to date with the Irish Red Cross?

Mr. Donal Forde: It is 21 years.



Deputy Eoghan Murphy:   Was he vice chairman all that time?

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   Is it wise to have someone who sat in the Red Cross for 21 years through the difficulties it has had, particularly when these relate to the person concerned, to sit on a committee advising on reform proposals for the organisation?

Mr. Donal Forde: When one puts together a committee, the best formula is to have all perspectives represented in the discussion. The vice chairman represented one of eight views and I do not think it is unreasonable.

NW: It is incorrect to present the Vice Chairman as in theory being only one of eight equal views. The Vice Chairman controls and dominates the IRC. It is precisely because of this and his reluctance to see governance reform that he ensured he was a member of this governance committee. His influence on early drafts is obvious for all to see. It is my view that fundamental reform of the IRC would have been possible was it not for the influence of the Vice Chairman.



Deputy Eoghan Murphy:   Does Mr. Forde not think it unreasonable that a person sitting on a board for 21 years, which is against all standards of good governance, and who was directly involved in an investigation because an account to which he was a signatory was not disclosed for three years, should be on a committee advising on good governance and financial controls for that organisation?

Mr. Donal Forde: The question of what represented the best governance formula for the Irish Red Cross necessarily drew on a variety of opinions. Some argued for substantial and radical change and others made the argument for less radical change. The vice chairman represented one perspective and it is not unreasonable that this perspective was in the mix.

Deputy Eoghan Murphy:   Was this the perspective of less radical change? Was it a perspective of resistance to reform?

Mr. Donal Forde: I have no evidence of that.



NW: The IRC has been 'reforming' its governance structures for over fifteen years with little or no progress. The reason for this is simple...resistance to reform from those at the top including the Vice Chairman who has most to 'lose' from any reform.

Deputy Eoghan Murphy:   We know good governance practices and we know the society is moving to initiate two consecutive three-year terms before one must stand down. I take it that this person will resign from the board as soon as possible.



Mr. Donal Forde: That is a matter for that person.

Deputy Eoghan Murphy:   Will he be able to remain on the board?

Mr. Donal Forde: Under that formula, he will be able to remain if he is elected.

Deputy Eoghan Murphy:   Under the reforms proposals, members of the board will be able to serve two consecutive three-year terms. What will happen then?



Mr. Donal Forde: People will have to stand down for a period.

Deputy Eoghan Murphy:   What is that period? Will it be for a three-year period before returning?

Mr. Donal Forde: Yes.

NW: It is important to note the following:

- 1. Under the existing governance structures members can serve for life on the Central Council and Executive Committee of the IRC.**
- 2. Under the proposed new Constitution members can still serve for life on the Central Council (supreme governing authority). This is in breach of all good governance practice.**
- 3. The three year mandatory break after two terms of three years referred to by Mr. Forde only refers to the Executive Committee (sub-committee of the Central Council). The mandatory break is in fact not entirely mandatory and this is explained below.**

Deputy Eoghan Murphy:   If the person was not challenged in an election for the position, would the person be able to remain in that position?



Mr. Donal Forde: No.

NW: This is a completely false and inaccurate statement by Mr. Forde.



Under the new IRC Constitution, Article 16-Rotation of Board Members (Executive Committee), states the following:

c) After two consecutive terms on the Board, be required to stand down for one three-year term; however in the extreme and exceptional circumstance where no alternative candidate is available, the Council obviously reserves the right to reconsider the mandatory break requirement.

It is important to note that the IRC Vice Chairman has been appointed unopposed every year for 21 years. It is not “extreme and exceptional” within the IRC for no alternative candidate to present for the Vice Chair position. It is the norm. Those familiar with the IRC know that that above clause will be used to ensure alternative candidates do not go forward for election thereby ensuring the longevity of already long serving board members. The clause has been inserted with one objective in mind, namely to circumvent the 3 year mandatory break clause from the Executive Committee.

Deputy Eoghan Murphy:   Do they automatically resign under the new proposal?

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   When do the new proposals come into force?

Mr. Donal Forde: They are ready and waiting and we are in discussion with the Department of Defence which is working with the Office of the Attorney General to draft the statutory order to enact it. Hopefully it is a matter of weeks away.

Deputy Eoghan Murphy:   Will this be retrospective?

Mr. Donal Forde: I do not believe it will be.

NW: Mr. Forde knows full well it will not be retrospective

Deputy Eoghan Murphy:   That flies in the face of good governance. Perhaps we could ask an organisation like Transparency International if it is good governance not to take into account retrospective service on a board so that a person can, quite incredibly, serve 27 years in the same position in the organisation through a period of time where there have been serious allegations against it. This person sat on the committee recommending the reform proposals that would keep him in place for a further six years.

Mr. David J. O’Callaghan: We have heard that argument before. It may not be good governance in some people’s view but what has been lost sight of is that we are a democratic organisation. People are voted on to branches. They are nominated to the council. The council gets nominations and these people go for office every year. They must be nominated and voted on. To emphasise, the particular person about whom the Deputy is talking is a *pro bono* volunteer. He is dedicated to the society. He has not, in any way, hampered or been a stumbling block to the reforms we have been moving on over the past 12 months. Quite the contrary, he has been a source of very good and sound advice.

NW: Mr. O’Callaghan’s view regarding the vice chairman would be strenuously rejected by many.

Also it is clearly in the interests of the national Vice Chairman and other long serving board members to get the current ‘proposals’ enacted as it will allow their continued presence on IRC governance for a minimum of six years and possibly far longer. It is for this reason he and others may not have been a ‘stumbling block’ to these current proposals. The current reform proposals serve their interests to retain power and influence.

There are two elements to the governance. There is the constitution, on which the Deputy touched - the Downer report following on from the Hanly report. There is also the internal stuff, which I have listed in my report to the committee and which is the initiative of the head office, mainly the secretary general. These relate to the board, governance, management, oversight, financial governance and supervision, general governance, the way we are developing the society and a raft of other initiatives. I would like to read them all out and put them in the record but I do not want to waste the committee’s time.

Vice Chairman: 🗣️ What is the rationale behind allowing people to go for two or three terms - six years uninterrupted - and that this would not be retrospective? Will someone explain the rationale behind that for the Irish Red Cross? How did the make-up of the consultative committee come about? Who determined that? For the ordinary person, it is six years uninterrupted, although I know it is a voluntary organisation.

Mr. Donal Forde: We all understand what ideal structures might be from a governance point of view. Let me make that point, but this is a democratic organisation. There are different views within the organisation about what the right governance formula for it may be. There has been debate about retrospection. There has been debate not just here but with our colleagues in Geneva who have been intimately involved in this process. It is not recognised or necessarily accepted that moving some long-service volunteers off the board immediately represents the best interests of the society.

NW: The view that long serving members should not be lost to the board is largely held by those long serving members and their cronies. There has been minimal consultation and/or national discussion amongst IRC membership concerning the governance reform proposals. The IRC has a massive ‘democracy’ deficit. It is democratic in name only. In reality it is fundamentally non-democratic, closed and controlled by a dominant and over controlling leadership of no more than three or four individuals.

The refusal to consider cumulative long service (retrospection) in calculating board service is fundamentally and unequivocally poor governance. It is no more than pandering to the egos of individuals who refuse tooth and nail to step down.

What I can tell the Vice Chairman is that there is no support to make this clause retrospective. Let me start by saying that. We have no right to impose. We cannot impose; this is a democratic process. We must accept the judgment and the verdict of the members. Let me be upfront about that.

I am drawing on feedback I get from members and from my interaction with them. They have different views on this. It is helpful to understand the situation. Some take the view that we are introducing very radical change and they want to make sure that is balanced by having some long-serving volunteers, who they regard very highly, in the centre of the process. That is the view in some quarters. Others believe that the right formula going forward is a mix of talent at the board table which will have long-serving volunteers as one aspect of it but appropriately balanced with new young blood from within the members and external expertise. That is another view. There are some who will say we do not need a clause for retrospection because, if they like, they can simply not return these people at the next election, which will be in April.

It is not that the organisation is setting its face against good governance. The members are exercising a judgment which is that in their view, the best mix for the society right now, given all that it is doing, is the balance that is-----

Vice Chairman: 🗣️ The Minister for Defence wrote to the organisation and the chairman on 16 May and specifically referred to governance and the fact he would like to see these types of rules being changed and overhauled **NW: 12 days after receiving the Minister’s letter re board tenure the IRC re-appointed its Vice Chairman for the 21st year in a row and reappointed its Treasurer for his 11th year on the Executive Committee at the Central**

Council meeting of 28th May 2012. The Minister's letter was not shared by the IRC Chairman to his Central Council to whom he reports. As a result the IRC Central Council was completely unaware of the Minister's letter and its recommendations when it re-appointed the Vice Chairman and Treasurer. This secrecy and withholding of information is endemic within IRC governance and leadership. IRC Central Council members became aware of the letter's existence only after Noel Wardick's blog wrote about it following Minister Shatter's reference to it in a Dail Adjournment debate in June 2011. What is the view on the fact the taxpayer will give €869,000 to the Irish Red Cross in 2012?

Mr. David J. O'Callaghan: We are very grateful for that contribution from the Irish taxpayer. The Minister for Defence wrote to us and following receipt of that letter - I referred that to task force on governance - the three-year gap was introduced. It was not as if we ignored the letter. Prior to that, the idea was a one-year-----

Mr. Donal Forde: Prior to that, the talk was of a one-year step down. On foot of the Minister's letter, that went back for consultation. The initiative of introducing a full term was introduced in response to it.



NW: There was ferocious resistance on the governance reform committee to the 3 year 'not-so-mandatory' break from Executive Committee. This is the reason a similar mandatory break was not introduced for the Central Council and is why the Executive Committee break was watered down to allow it be circumvented if no other person is nominated for the post.

Mr. David J. O'Callaghan: I cannot emphasise enough that we are talking about volunteers. I am sure everyone around the table knows how difficult it is to get people at branch level to take up the offices of chairman or treasurer. We are finding it very hard at branch level to get people to take on these jobs **NW: This is partly because of all the negative and damaging revelations in recent years and because the Society is controlled by a small long serving group on individuals who operate a 'closed shop'.** People are happy enough to be members but they do not want to take on the responsibility of being treasurer. We have people who are dedicated and who give years of service. I know many associations, including the GAA and other voluntary groups in which I am involved, where it is the same people all the time. We are no different. Is it a bad thing to be a *pro bono* volunteer **NW: all volunteers are *pro bono*, that is the very definition of the word** giving all one's time to the Irish Red Cross for 21 years? Is it a crime? Is it a bad thing? **NW: It is correct to say the national Vice Chairman has given enormous amounts of his time to the Irish Red Cross. However whether his overall influence and impact on the Society has been positive is highly debatable.**



Mr. O' Callaghan should be aware that most GAA and sporting clubs have very robust governance controls which strictly limit the tenures of members on their governing boards.

Vice Chairman:   Corporate governance was lacking in the organisation.

Mr. David J. O'Callaghan: Right now, we are willing to take the honours paper in corporate governance. There is no question about it. If one looks again at the initiatives we have introduced, they are all there.

Deputy Eoghan Murphy:   With respect, the society is failing the honours paper on corporate governance.



Mr. David J. O'Callaghan: We have in the past. We have failed the pass paper in the past. I agree with the Deputy.

Deputy Eoghan Murphy:   Right now, the society is failing it because this is not retrospective.

Mr. Donal Forde: I need to challenge the Deputy.



Deputy Eoghan Murphy:   How can a person remain a member of the central committee if no longer on the executive committee?

Mr. Donal Forde: The constitution, as it is outlined in the corporate governance code for Irish NGOs, meets best practice. Let me make that clear.



Deputy Eoghan Murphy:   That someone could sit on a board for 27 years in the same position as vice chairman-----

NW: the 'new' IRC constitution has no terms of office for its governing board, the Central Council. Members can serve for life. This is contrary to best practice. As such Mr. Forde's assertion is incorrect.



Mr. Donal Forde: There are more aspects to corporate governance than that.

Deputy Eoghan Murphy:   There are, but if the society fails in one area, it is quite possible it could fail in others.

Mr. Donal Forde: There is no standard in this respect or in terms of what is an appropriate membership. I understand that is one of the aspects of our constitution which people may question but let me be very clear in this respect. The code which is now in prospect meets best practice. It meets the expectations of our governance division in Geneva which has been intimately involved in this process.

Deputy Eoghan Murphy:   Is that the International Committee of the Red Cross in Geneva?

Mr. Donal Forde: Yes. The ICRC and the International Federation of the Red Cross as well.

Deputy Eoghan Murphy:   The ICRC is fully aware that a person will remain in place for 27 years.



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Did it say that was okay?



Mr. Donal Forde: What it said was that it accepts that the members of the Irish Red Cross understand the specific issues it faces in Ireland and that if that is their democratic judgment, it does not see it as an issue of sufficient material importance to challenge it. It wanted to see

rotation introduced, and it has been introduced. I want to be very clear in that respect. It does not see the issue of retrospection as a critical one. It accepts the general view among members of the Irish Red Cross that we are involved in a fairly dramatic change process and that a significant body of our volunteers want the comfort, through that period of change, of having somebody in whom they have significant confidence sitting on the board and who knows the organisation intimately.



NW: the above is highly questionable evidence. The membership of the IRC are significantly disenfranchised from decision making and the structures and systems in place, while theoretically democratic, do not in any shape or form engage with the vast majority of members of the Society. It is to be noted that the IRC has not had a General Assembly, which all members can attend, since October 2005, over six years ago. Planned General Assemblies in 2007 and 2009 never took place. While costs were given as the official reason the real explanation was the controlling elite on the board rightly feared a very severe membership backlash.

Deputy Eoghan Murphy:   The Government, the Oireachtas and donors to the organisation must have confidence as well. I just do not have it. That is my problem. I have taken up enough time.

Mr. Donal Forde: I accept I am being a little bit strident but I just want to make the point that this meets best practice standards. The Deputy is pointing to a specific aspect of it which I accept some may question. However, there is a context in which the members of the organisation have decided that this is their preferred formula for the moment. They may well change that.



Deputy Eoghan Murphy:   Did a general assembly meeting decide it?

Mr. Donal Forde: No, the central council.

Deputy Eoghan Murphy:   How long has the central council been in place? Are these the people who have been in place for the past four or five years? Is the central council the executive committee of the board?

Mr Donal Forde: No. The central council is essentially a group of almost 50 people, which includes the elected representatives from each area, that stands at 30 odd, and Government nominees, which constitutes about a third. They elect the executive committee.



NW: Central Council is comprised of 42 people.

Deputy Eoghan Murphy:   If a person comes off the executive committee do they remain on the central council?



Mr Donal Forde: They must be re-elected to the central council. They could also be nominated to it.

NW: Mr. Forde's answer is misleading. If an Executive Committee member comes off the Executive Committee he or she DOES remain on Central Council (CC) so long as their 3 year Central Council term has not expired. If their 3 year CC term has expired it is only then that they must be re-elected/re-appointed by their Area to the CC. As stated

earlier they can be re-elected/re-appointed to the Central Council for an indefinite number of 3 year terms.

Vice Chairman:   Does Deputy Murphy wish to continue with one final question or to come in later?

Deputy Eoghan Murphy:   I have more than one question.

Deputy Derek Nolan:   I welcome Mr. David J. O'Callaghan, Mr. Donal Forde and Mr. Ronan Ryan. I acknowledge and appreciate they accepted our invitation to appear before the committee but they are under no compulsion to be here.

The Irish Red Cross Society and its 5,000 volunteers in Ireland do positive work here and around the world and I commend the organisation for its good work. The society has an ambitious corporate governance reform programme but it seems there was severe failure of oversight, detrimental staff relations in some cases and at times scant regard for regulation, practices and procedures. As a result, the reputation of the organisation has taken a knocking in the media and in the mind of the public. There seems to be a view that some people in the organisation may not be capable of adapting to the change necessary for corporate governance. Mr. Donal Forde was appointed last year as Secretary General and Mr. Ronan Right is newly appointed so there is new blood at a senior level.

I raise the question of the Haiti fund, which was raised in the media, as I would like to get clarity on it. It has been said that at the time of that catastrophe there was an appeal for funds which the Irish Red Cross Society would send to the Haiti Appeal. The money can come into the society in many ways - online, cheques and be paid directly into bank accounts. Some people would go to their bank and ask to lodge money to the Irish Red Cross, in anticipation that the money would be used for the Haiti appeal. What happened in fact is that if a customer does not specify that the money is for the Haiti appeal, it goes into a general fund, the head office fund. Approximately €600,000 of the money that went into the general fund could be identified as having been intended for the Haiti appeal and that money was then used for Haiti.

NW: Deputy Nolan is correct in the above

Mr. David J. O'Callaghan: I am pleased the Deputy raised that issue. I will ask Mr. Ronan Ryan, head of fund-raising to deal with it.

Mr. Ronan Ryan: Thank you Deputy. I am happy to answer this question. I was made aware of this allegation when I started in the Irish Red Cross Society about 12 months ago. I can categorically say that no money was diverted from Haiti. A sum of €3.1 million was raised for Haiti and every cent was allocated to the Haiti programme.

NW: This is a false and untrue statement by Mr. Ryan. Over €3.7 million was raised for Haiti and over €600,000 was allocated to the IRC General Fund. The IRC General Fund is a domestic ONLY account.

In regard to restricted and unrestricted donations that the Deputy alluded to, there are suggestions about the use of unrestricted funds. Will the Deputy allow for the fact that I may speak in fund-raising jargon? A restricted donation is very clear, the donor has said that the

money is for a very particular purpose. An unrestricted donation is where the donor has not indicated a preference for where the money should go. With restricted donations, the Irish Red Cross Society, like all charities makes every effort to find out the donor's preference, with reply slips, drop-down menus and if the donation is by telephone they are asked their preference. As a fund-raiser, one is keen to be true to the donor's wishes and to ensure the money goes exactly where they want. With an unrestricted donation, where the donor does not mark clearly where the money is intended to go, one has no evidence of the donor's preference and all one knows is that it is an unrestricted donation.

A large charity, such as the Irish Red Cross cannot assume that the donation has been inspired by one or other appeal because the Irish Red Cross has a number of appeals on the go at the same time. Let me give an example. During the Haiti appeal in early 2010, there was money coming in for the Irish people who suffered from the severe flooding in late 2009. At the same time we had long-term programme in Malawi, Niger, so that at a given moment, there are a number of on-going appeals. There are lesser known appeals, which may not be as well known as others. Our Irish Red Cross donors will know about them and people will donate to our therapeutic handcare programme, where we look after the elderly and the vulnerable.

NW: The point to note here vis a vis Mr. Ryan's above comment is that the IRC made a decision that not one penny of unrestricted income (income where the donor does not specify where the money is to go) raised during this time would be allocated to ANY appeal. All the unspecified money raised was allocated to the IRC General Fund which is a domestic account used to cover primarily administration and overhead expenses.

It is also important to note that the Floods Appeal of Nov 2009 was, by Jan and Feb 2010, winding down and the long term appeals for Malawi and Niger did not have any advertising, media or radio campaigns running at the time (early 2010).

Mr. Ryan is absolutely incorrect and extremely disingenuous when he says it is not possible to determine the intentions of a donor when their donation is not specified. At the time of the Haiti Appeal in early 2010 the IRC was running a massive advertising campaign in the newspapers and on radio. There was wall to wall coverage of the earthquake on every TV channel. As a direct result the IRC saw a massive spike in its income during this period, both specified income (for Haiti) and non-specified income. The IRC is fully aware that many members of the public respond to an overseas appeal by donating money to the Society but they do not specifically state 'for Haiti' as they are not informed they have to do this and they assume it is known given the huge advertising campaign underway and the scale of the disaster at hand. For decades the IRC has knowingly and wilfully taken advantage of this and used international disasters and overseas appeals to fill the coffers of their domestic General Fund which is then used for domestic administration and overheads.

As Head of International at the time of the Haiti Earthquake I spoke on numerous occasions with the Acting Secretary General at the time, Declan O'Sullivan, requesting that the vast surge in non-specified income be allocated to the Haiti Appeal as clearly that was where the public wished the money to go. There was simply no other possible explanation for this massive surge in un-specified income. I also wrote to the Acting SG on this matter on at least one occasion.

I had over the previous five years regularly questioned the morality and ethics of such a practice and was appalled to see it so blatantly and unashamedly in action once again.

Knowing what happened with the Haiti money I can stated categorically, unequivocally and on the record that the IRC behaved in a morally reprehensible manner.

Where a donation is made that is not clearly marked and one does not know the donor's intention, the best practice in the sector for all charities in that situation is that the money forms part of the unrestricted funds to be used for the mission of the charity. This is the case in the Irish Red Cross Society, which responds to people in crisis and in emergency at home and overseas. This is best practice according to the statement of guiding principles for fund-raising. I have worked in a number of charities and it is common practice in all of them and complies with the charities legislation in 2009.

NW: Its important to be clear here. The IRC says that when a donation is unspecified it cannot therefore determine where the donor intended the money to go and therefore it would be wrong to make an assumption and allocate the money to say the Haiti Appeal. However the IRC DOES make a decision on the donation. The IRC decides that the money will go towards NO appeal but rather it will go to the General Fund (domestic account) where every single penny of it will be spent on administration and overheads and not one penny will be spent on direct programmes in Ireland or overseas. So the IRC DOES make a decision where the unspecified money goes despite repeatedly saying it cannot do so.

Over the last twenty years millions of Euros that trusting members of the public donated to the IRC as part of advertised overseas emergencies and appeals never went to that appeal or any other appeal but instead were spent domestically on administration and overhead expenses. It is in my view one of the biggest and unfortunately unreported scandals in Irish charity history.

Deputy Derek Nolan: 🗨️ 🗨️ There is no allegation that the law was breached. The argument is that the Irish Red Cross Society has its head office fund, with money coming into it every day. When an appeal is made, a great deal of money comes in. At the time of the Haiti appeal, the head office fund peaked. There was a major influx of money. I was told there was a rather large, noticeable spike in income to the general head office fund. It would be easily interpreted that the spike related to an appeal that was made by the Irish Red Cross Society for funds and that the money was meant for Haiti. Instead of being treated as Haiti funds, it was treated as general funds and could be used for domestic use and other programmes. It is also suggested that this is a trend over many years. People would give money to the Irish Red Cross, meaning it would go to the Haiti fund, but it would go to the Irish Red Cross Society. While the organisation has not done anything wrong, it may be morally questionable to say that this money is intended for general use, when clearly it came in at a time when an appeal has been made, giving rise to increased donations. Some people would say it is very easy to see that the money should have been used for Haiti.

NW: Deputy Nolan is 100% correct.



Mr. Ronan Ryan: I can understand why somebody might think that but it would not conform to best practice in the sector. If an unrestricted donation comes in at any time, for example,

there is a problem as one can never say what the donation is meant for. One can get into trouble for trying to second guess people's wishes. We cannot and would not do that.

NW: Mr. Ryan is again highly disingenuous above. The IRC does 'second guess' people's wishes. The IRC puts every penny of an unspecified donation into its General Fund and spends it on administration and overheads. It is very unlikely and questionable that every member of the public who does not specify where their donation is to be used actually wishes it to be sent on domestic administration and overheads.

There was a very generous public response to the Irish floods and this was at the same time as the Haiti appeal. There were long-term programmes that people respond to. The Haiti appeal was during the first few months of the year and a lot of donations from the Christmas appeal are coming in at that time as well, with the delays in the post and so on. There is no way one could say with confidence that money was a result of a particular appeal. There are any number of appeals that may have inspired the donations.

NW: Another incredibly disingenuous statement by Mr. Ryan. It is of course possible to determine that sudden and abnormally massive spikes in income are directly attributable to a specific appeal and disaster. In January 2010 and for a number of months after there was a massive surge in income to the IRC. The fact that this happened at exactly the same time as one of the world's worst earthquakes that left 210,000 dead and over 3 million people homeless in Haiti and at the same time as an advertising and media blitz on the disaster by IRC is not just coincidental. If the IRC cannot attribute increases in income to specific appeals and devastating international disasters then whoever is responsible for their Fundraising Department is incompetent and should be replaced.

Deputy Derek Nolan:   Is there any attempt to link some of it to the Haiti appeal, for example, by giving 50% to the Haiti appeal?



NW: Similar to Deputy Nolan's suggestion this is what I recommended as Head of the International Department at the time, although I would have advised on using a higher percentage than 50%.

Mr. Ronan Ryan: There is no way that one could gauge the percentages, with any accuracy because there are so many appeals going on at the same time **NW: Rather than attempting to gauge this on a reasonable basis IRC policy is to decide to put 100% of un-specified donations towards covering domestic administration and overhead expenses. This is clearly not what the donors wished. It is also incorrect to imply IRC had numerous highly active and live appeals ongoing at the same time and this was somehow confusing the situation. At the time in question there was the Floods Nov 2009 Appeal winding down, the Christmas 2009 Appeal virtually over and then the Haiti Appeal which took over everything in January 2010 and dominated for months.** It is important to see how the money is used. That money forms part of the unrestricted funds for the society and those unrestricted funds are used for the indirect support of the mission of the Irish Red Cross Society, and are used for indirectly supporting the emergency response at home and overseas. For example, unrestricted funds support the federation, which responds to emergencies all around the world at all times. They also are used to support our longer-term programmes. They are used to indirectly support some of our response to emergencies at home.

NW: Mr. Ryan's evidence is misleading. Up until November 2010, the time of my departure from IRC, all non specified income received by the IRC was allocated to the General Fund which is a strictly domestic account used for administration and overheads. Not ONE penny was allocated to the IRC's overseas operations and programs. This policy was a considerable source of disagreement between myself and two Secretary Generals. IRC policy was clear. If a donation came in unspecified it was 100% allocated to the domestic General Fund where it was be spent on administration and overheads. Never was a portion of it allocated to the International Department.

I can tell members from speaking to many donors over many years that many donors choose to leave a donation unrestricted, and not mark it for a specific purpose. Any fund-raiser will tell you that at a Christmas appeal, even though it is very clear that the Christmas appeal has a particular theme, that many donors will send an unrestricted donation. There is no way, with any transparency, that one could say that it was definitely meant for some particular category. That is the reason it is very clear in our income policy, which we publish on our website in conformity with best practice and the Charities Act 2009, we state clearly what we do. When I speak to our donors, they are happy to support the mission indirectly.

NW: The reality is if the Irish public who donate to IRC knew what happens to their unspecified donations, in particular those received during large high profile overseas appeals there would be uproar.

Deputy Derek Nolan:   I would imagine that most people at that time would not have contacted Mr. Ryan and would have assumed the money was simply going to Haiti.

NW: Deputy Nolan is correct. Unfortunately IRC knowingly betrayed the wishes and trust of the Irish public. Millions of Euros has been misallocated by the IRC in this manner over the years.

During the first few months of 2010 immediately following the catastrophic Haiti Earthquake in January 2010 the following amounts of money received from the general public were allocated to the IRC General Fund (domestic):

January 2010: €330,160.98

February 2010: €193,254.08

March 2010: €116,985.83

April 2010: €68,976.23

May 2010: €33,360.03

TOTAL: €742,737.15

It can be clearly seen from the above that there was a massive surge in income allocated to the domestic General Fund in the immediate aftermath of the Haiti earthquake. Any examination of the IRC General Fund will show that such income figures are extremely abnormal and even more so in the immediate aftermath of Christmas when charitable income is generally very low. The surge in income allocated to the domestic general

fund coincides exactly with the Haiti Earthquake and the extensive advertising campaign launched by the IRC appealing for money. It can be seen that income allocated to the domestic general fund gradually declines over the months following the earthquake, something that exactly mirrors the income pattern of funds allocated to the Haiti Appeal.

Throughout these early months of 2010 I was aware that the practice of allocating unspecified income to the domestic account instead of to the Haiti account was likely taking place. I continually raised this issue in the strongest possible terms with my direct supervisor at the time, the Acting Secretary General. I received the above figures confidentially on 1st June 2010 which confirmed my suspicions that the immoral practice was alive and well.

It is also noteworthy that in January 2010 €203,067.37 was allocated to Legacies. Such monies would then become available to use within the domestic operation and would unlikely ever be used on overseas programs. A receipt of over €200,000 in one month from a legacy/legacies is unusual and the fact that it occurred at the same time as massive amounts of income were flowing in for Haiti but being misallocated to General funds (domestic) warrants an investigation in and of itself in order to determine the veracity of the allocation.

Mr. Ronan Ryan: I am not trying to contradict the Deputy but he has to bear in mind that so many people made donations for the Irish floods at the same time. If we were a single issue charity, the Deputy could say that with confidence. We are not a single issue charity. We have many programmes going on at the same time. At that time, we had a number of high-profile appeals going on for different things. I cannot contradict what the Deputy might think. As a fund-raiser, I have to protect all donors. My duty is to protect all donors. I have to follow clear guidelines. I have to apply all moneys that are not specified by the donor as being for a specific purpose to the mission of the Red Cross.

NW: Mr. Ryan is admitting that because of ‘numerous appeals’ it was impossible to determine where the money was intended for so instead of attempting to address this the IRC decided every penny would be allocated to the domestic General fund for administration and overheads. Not one penny of the hundreds of thousands of Euros in unspecified donations from the Irish public raised during high profile appeals has been allocated to any of the appeals the Society was running. The logic of Mr. Ryan’s argument is impossible to comprehend and is an unacceptable explanation for an unacceptable practice.

Mr. Ryan and the IRC leadership have patently failed “to protect all donors”.

Deputy Derek Nolan: 🗨️ 🔍 I carried out a little research yesterday with the help of Deputy Eoghan Murphy. There is a disclaimer on the website of the Irish Red Cross, aimed at people who choose to make donations for specific purposes, which says, “In the unlikely event that we raise more money than can be reasonably and efficiently spent, any surplus funds will be used to help us prepare for and respond to other humanitarian disasters either overseas or Ireland”. Is that clause regularly invoked?

Mr. Ronan Ryan: I introduced this policy, which relates to shortfalls and access to moneys raised, last year. The Red Cross was one of the early adopters of the statement of guiding principles for fund-raising, which is a voluntary co-regulated code of practice for fund-raising. The income policy of the Red Cross is clear. I would like to backtrack for a second. I would like to mention my personal experience as a fund-raiser. I have been professionally fund-raising for 15 years. I have never been involved in an appeal in which more money was raised than was needed. The opposite is always the case, sadly. One always needs more money, which is why one is always appealing so loudly. The scale of the need is vast. I have never come across this situation. Good practice dictates that it should be part of our income policy to say that in the incredibly unlikely event that we raise more money than is needed, we will use the money that is raised in the spirit for which it was given. If we were to change it to a totally different use, we would contact the donor. Ultimately, the donor always gets to choose. It is a very hypothetical situation. Personally, I have never come across it.

NW: Mr. Ryan is incorrect to implement the above policy as a charity is not entitled under law to make such decisions. At the Public Accounts Committee hearing on 13th October 2011 at which the Department of Defence was questioned about the Irish Red Cross, Ms. Orla Barry Murphy of the Office of the Commissioners of Charitable Donations and Bequests for Ireland, also attended. She clearly stated in response to a question from the PAC Chairman Deputy John Mc Guinness that where a charity raised more money than it can spend it must either apply to the courts or to the Office of the Commissioners of Charitable Donations and Bequests for Ireland before it can reallocate the monies for other purposes. The exact wording from the 13th Oct 2011 PAC hearing is as follows:

Chairman (Deputy McGuinness): Is that correct? Are organisations that collect for various appeals advised that they must send 100%, as Mr. Howard stated?

Ms. Orla Barry Murphy: I am not sure whether they are so advised because up to now there has been no regulation of charities and there is no general adviser. Anyway, there is an obligation on charities to apply the moneys they collect for the purpose they claim they will apply it for. If money is left over or if they cannot apply it as they have stated, there is a legal mechanism to apply it for a different purpose. Depending on the level of funding, generally speaking, that mechanism would involve going to the High Court for an order to apply the money differently.



Chairman: Must organisations go to the courts to apply it?

Ms. Orla Barry Murphy: previously, it was the courts but since 2002 they have gone to the Commissioners of Charitable Donations and Bequests for Ireland. It can make an order authorising the trustees of a charity.

NW: I subsequently wrote to the Office of the Commissioners of Charitable Donations and Bequests for Ireland on 19th October 2011 pointing out that IRC seemed to be of the mistaken view they could reallocate funds from designated appeals unilaterally. To-date I have had no response to my correspondence.

Deputy Derek Nolan: 🗣️ 🗣️ Has this ever happened in the Red Cross?

Mr. Ronan Ryan: I have been informed that during a Red Cross appeal a number of years ago to raise funds for domestic flood victims, more was raised than was needed. That fund has since been used to respond to the needs of the victims of other floods, such as the floods in Ireland in late October and early November of last year.



Deputy Derek Nolan:   Does the unused money stay into the fund until a suitable and comparable-----

Mr. Ronan Ryan: It had not been touched.

Mr. Donal Forde: It was a small amount.

Mr. Ronan Ryan: It was used in a manner that was exactly in line with the spirit of the donor's intentions and as part of exactly the same kind of programme.

Mr. Donal Forde: One of the frustrating things for us is the suggestion that some general funds should have been diverted to Haiti. Somebody else could just as easily advocate that general moneys should go to Irish flood victims or other Irish Red Cross programmes. That is the difficulty. We cannot make that choice. We have to abide by something that is clear and transparent. We do what the donor tells us **NW: the donor does NOT tell IRC to spend 100% of their unspecified donation on domestic administration and overheads and never to spend it on overseas or domestic appeals (programs). Despite this that is exactly what the IRC does with unspecified donations, even those raised during a high profile appeal.** I want to make it clear that we are doing the same thing as every other Irish charity. Every other national Red Cross society, including the British Red Cross, which is one of the biggest raisers of general moneys across our movement, the French Red Cross and the Belgian Red Cross, approaches this question in the same way. What we do here is indisputable. Others may hold a different view but I do not think that anyone is suggesting that legitimises a different perspective.

Deputy Derek Nolan:   Would some of that money be extra money that came into the head office account? I assume some of it was transferred into the flood victims account and the Haiti account, etc., to try to compensate for that fact. Did that happen?

NW: That did not happen. Every penny of unspecified donations is allocated to the IRC General Fund which is a domestic overheads and administration fund. Unspecified donations are never allocated to appeal programs. It is a highly questionable and unacceptable practice that IRC must cease.



Mr. Donal Forde: Mr. Ryan is far more proficient than me in this regard.

Mr. Ronan Ryan: It would not be extra money. The society received €500,000 in unrestricted income in 2010, over the entire 12-month period. Unrestricted income consists of donations that were not clearly marked by the donor. As a fund-raiser, I can tell the committee that such moneys come from a wide variety of sources, including individual donations on the back of appeals and donations inspired by all the different things in which the Red Cross is involved. Such unrestricted funds become part of a larger unrestricted pot, into which money from many different places is fed. All of those unrestricted funds are used for the indirect support of emergency response at home and overseas, in line with the mission of the Red Cross. They are spent indirectly in support of our emergency response in Ireland and indirectly in support

of our volunteers. Unrestricted funds are spent in support of our federation and in support of our longer-term programmes overseas. I am thinking of two particular missions in Malawi and Niger.

NW: According to the IRC audited 2010 Annual Accounts total Unrestricted Income for the year was €3,626,853. This is somewhat at variance with the figure of €500,000 provided by Mr. Ryan.



Mr. Donal Forde: If one was looking-----

Deputy Derek Nolan:   Can I ask Mr. Ryan to explain how this money is used “indirectly”?

Mr. Ronan Ryan: Unrestricted funds are spent on indirect supports such as the training of volunteers in Ireland to ensure they can respond and provide a first-class first aid and emergency service. When money is used by the federation for indirect support in the case of overseas emergencies, it is used to support the people who are co-ordinating and facilitating the overall programme response in a place like Haiti. It is not spent on the water coming out of the tap in Haiti - it is spent on the vast co-ordination of the relief effort that is needed with all the other agencies. That is what I mean by “indirect” support. I apologise for using technical jargon.

Mr. Donal Forde: It might be helpful to explain what happened to the €500,000 in unrestricted moneys that was garnered in 2010. For example, some €130,000 of it was used by the federation in support of general worldwide emergencies and €60,000 of it was used to support our effort in Malawi. This money was channelled into other Red Cross missions.



NW: The IRC audited accounts clearly show that Unrestricted Income for 2010 was over €3.6 million. Once again it is to be noted that non specified donations from the public to the Irish Red Cross, even those raised during high profile overseas appeals, were never allocated to the International Department and/or to its overseas work. All such monies were allocated to the General Fund (domestic account). This was a source of much debate, frustration and disagreement.

Vice Chairman:   As the witnesses have said, the Red Cross decided at the time that €600,000 from the Haiti fund could be regarded as unrestricted funds. Can those moneys be used for administration and salary purposes? Can they be directed to non-front line relief work?

NW: The simple answer to the PAC Vice Chair’s question is Yes.



Mr. Ronan Ryan: The only costs that come out of a large-scale emergency appeal are the fund-raising costs **NW: This is factually incorrect. 7% of all income (from the public and businesses) is deducted and put into a Sustainability Fund Account from which certain organisational overheads are paid from..** Those costs tend to be very low. In the case of Japan, I think they came to 1.67%. The way we put it is that we take every euro and use it to get the next euro. All of the balance of that - the money that was raised for Haiti, for example - is used for programmatic purposes, including the monitoring, evaluation and control of programmes. It is a small proportion of the money. Some of the staff who monitor the programmes are based in Dublin. They are an essential part of the programme spend.

NW: Over €3.7 million was raised for Haiti. IRC only declared €3.1 million. The balance was incorrectly (morally and ethically) put into the General domestic account where it can be used for a variety of purposes including administration and general overheads that have nothing to do with Haiti or IRC's overseas activities.

Vice Chairman:   It is clear that during the Haiti appeal, there was an increase in the level of funds coming in. Much of that money was donated directly for Haiti. Mr. Ryan is saying that some of the funds that were given at that time were unrestricted, on the basis that people did not designate what they wanted the money given as part of the appeal to be used for. At the same time, the advertising probably took place on the basis of the Haiti appeal.



NW: The PAC Vice Chairman is correct.

Mr. Ronan Ryan: I would not say that. I am clearly saying one cannot reach the conclusion that these moneys came in because of Haiti. I cannot say exactly what they were provided for because they were not marked by the donor. When the donor does not restrict the money, one cannot assume-----

Vice Chairman:   No, Mr. Ryan is missing my point.

Mr. Donal Forde: It might be helpful to interject at this point. The general level of unrestricted money that was received in the previous year was approximately €300,000. In the year we are talking about - 2010 - the relevant amount was €500,000. The increment, if that is what one wants to focus on, was €200,000. We are talking about a year when there was a high-profile floods appeal, the Haiti appeal, the Pakistan appeal and a number of other things. The issue is whether one can attribute the incremental €200,000 to some of those factors. That is the point Mr. Ryan is making.

NW: Mr. Forde's figures are at best confusing and at worst misleading. IRC's audited accounts state that Unrestricted Income in 2010 was €3,626,853 and that Unrestricted Income in 2009 was €3,487,976

Vice Chairman:   I have a follow-on point. Was any of the €500,000 that came in, or the incremental €200,000, used for administrative purposes, as distinct from front line appeal purposes?

Mr. Ronan Ryan: It was all unrestricted income. None of the unrestricted income is used for front line appeal purposes. The unrestricted income is available to indirectly support the mission of the Red Cross. It is not spent on the water that comes out of the tap in Pakistan or wherever. It is used in support of the federation's longer-term programmes.



NW: Very misleading evidence by Mr. Ryan. He gives the impression that all of unrestricted income is used to support the IFRC's longer term programs. This is simply not correct, much of it is not spent on anything to do with the IFRC or ICRC. It might also be beneficial to point out to Mr. Ryan that many of the IFRC's longer term programs revolve around 'making water come out of taps' so his statement on this point alone is entirely contradictory.

Mr. Donal Forde: Perhaps I can interject at this point.

Mr. Ronan Ryan: Yes.

Mr. Donal Forde: I am familiar with the numbers, having looked at them. A small proportion of it would have gone to support the salaries of the people in our international team who were overseeing the programme in Haiti. I refer to those who were essentially charged with making sure the right agreements were drawn up with the international federation. A small proportion of it would relate to the reporting and accounting procedures. As I have said, €130,000 of it was used to support the work of the federation and €60,000 of it went to Malawi. I say that to give greater detail about what Mr. Ryan meant when he used the word “indirectly”.



Vice Chairman:   Okay.

Deputy Derek Nolan:   I would like to mention a few other issues. Deputy Eoghan Murphy was quite comprehensive. Mr. Forde mentioned the credit institutions that were checked for accounts - Bank of Ireland, Irish Nationwide and certain credit unions. Were any other banks checked? Were AIB or Ulster Bank checked?

Mr. Donal Forde: I cannot say that AIB was checked at the time.

Deputy Derek Nolan:   Has it been checked since?



Mr. Donal Forde: Yes, repeatedly.

Deputy Derek Nolan:   Is it the case that every possible bank has been checked?

Mr. Donal Forde: I wish to be clear. This has been outlined. All of that was then.



Deputy Derek Nolan:   Yes.

Mr. Donal Forde: We want to make that very clear. We are trying retrospectively to account as accurately as we can for what happened. I wish to make it clear that for the last year, every bank has had to send returns to us every six months for all accounts in the name of the Irish Red Cross. They have been cross-checked and reconciled with all of the accounts coming through from our branches. There will never be a Tipperary account again. Let me very explicit in that respect.



Deputy Derek Nolan:   A former member of the Irish Red Cross staff wrote a blog. It has been suggested that a substantial amount of money, upwards of €140,000, was spent on legal fees at the time to compel Google to reveal the identity of the blogger. Is that correct?

Mr. Donal Forde: This is 2010. The legal fees of that year, €136,000, were close to the figure of €140,000. Not all of that would be attributable but yes, there were legal fees spent on seeking advice with respect to how to manage information that was appearing on a blog. That is correct.



NW: Total legal fees for IRC in 2010 were €139,691. IRC continues to incur legal fees in defending the dismissal of the above employee. These fees will be very substantial in 2012 when the case comes before a full hearing of the Employment Appeals Tribunal.

Deputy Derek Nolan:   Did that involve trying to obtain the identity of the blogger from Google?



Mr. Donal Forde: Yes.

Deputy Derek Nolan:   Why did you pursue that course of action?

Mr. Donal Forde: We were not there but let me articulate-----

Deputy Derek Nolan:   I will rephrase the question. Why did the organisation pursue that course of action?

Mr. Donal Forde: In hindsight that may look like an injudicious thing to do. However, I am careful at all times not to offer that verdict for this reason. If one was sitting there at the time as a member of the executive committee, one would have had responsibilities as a director or de facto director of the organisation. One is looking at a scenario where confidential information from the society is appearing externally. The question at that stage is what happens tomorrow morning if personal staff details or donor information start appearing on the blog. One is faced with a very difficult decision as to where one's responsibilities are here. As I stated, while the amount of money spent looks injudicious, I am slow to criticise because if I had been sitting there at that point, I would have been in a very big dilemma and I certainly would have wanted to take legal advice, which does not come cheaply. That point needs to be made.

Deputy Derek Nolan:   Was an action taken against Google or did the organisation simply take legal advice? Were proceedings issued?

Mr. Donal Forde: I think it was contemplated. I do not think it ever got to that point but it was certainly contemplated.

NW: Proceedings were issued in the High Court circa July 2010. Google Headquarters in California were formally informed as the proceedings were against Google HQ and not Google in Ireland. Google in California nominated a well know firm of solicitors in Dublin to represent them. This can all easily be verified. It was also extensively reported on by the media at the time (Sunday Times and Sunday Independent). I find it impossible to believe that Mr. Forde is not fully aware of this.

The International Federation of the Red Cross and Red Crescent (IFRC) was forced to issue an international advisory to all 184 national societies around the world informing them of IRC's action against Google (copy can be provided if required). This was necessary because Google is a partner of and donor to IFRC globally and a partner of and donor to many national societies (including Irish Red Cross!!) in their respective countries. The IRC decision to take action against Google was, to say the least, 'awkward' for the whole Movement.

Google made clear they had no intention of divulging the identity of the blogger and stated they intended to defend the action.

Under pressure from numerous sources the Irish Red Cross quietly dropped the case.

Deputy Derek Nolan:   I missed Mr. Forde's reply.



Mr. Donal Forde: When was that? That is through the course of 2010.

Deputy Derek Nolan:   Has the action ceased?

Mr. Donal Forde: Yes, it is long past.

Deputy Derek Nolan:   It is finished. It seems like an awful lot of money.

Mr. David J. O'Callaghan: I am not sure on this as it was slightly before my time but I think there was some action against UPC, the supplier.



Deputy Derek Nolan:   I think it was a combination of UPC and Google.

Mr. David J. O'Callaghan: That may have incurred additional legal-----



Mr. Donal Forde: I may stand corrected-----

Mr. David J. O'Callaghan: The action against Google did not go forward as far as I am aware.



Mr. Donal Forde: -----but that certainly was contemplated. The advice was in that respect and I do not know how far it went at the time.

Deputy Derek Nolan:   A sum of €130,000, at the maximum possible level, is an awful lot of money to spend. Mr. Forde mentioned that the increment over the past year was €200,000. This means, the legal fees spent in one year to try to catch a whistleblower amounted to 65% of the increment.

Mr. David J. O'Callaghan: We have to be careful in talking about individuals as whistleblowers. This is a member of staff who has been dismissed. My information is that he is taking an unfair dismissal case against us. That will arise in the next number of months.



Vice Chairman:   It is reasonable to ask about the spending of €140,000-----

Mr. David J. O'Callaghan: Of course, in the broad sense, yes.

Vice Chairman:   -----of money the organisation has either collected from members of the public or received from the State.

Mr. David J. O'Callaghan: I agree with the Chairman. As I stated earlier, I am loth to spend donors' money on consultants.



NW: A very ironic comment from Mr. O'Callaghan given that in 2010 the IRC spent a total of €209,405 on Professional Fees of which €139,691 was on legal fees and in 2009 IRC spent €283,817 on Professional Fees of which €223,546 was spent on consultants.

Vice Chairman:   It is a reasonable question.



Mr. David J. O'Callaghan: Yes, it is a reasonable point.

Mr. Donal Forde: I need to correct a few points if I may. First, the total legal expenses of the year were close to €140,000, as the Chairman says, but that was a year in which there were redundancies and other things on which advice was taken. It is not true to quantify the cost at that amount. That is the first point. The second point to make is that this is not donors' money or taxpayers' money. It was funded out of our commercial revenues. We have significant commercial operations and they were what funded that. We provide first aid training across the length and breadth of the country. We get fees for the use of our ambulances. There is a whole series of commercial activities which go on and it was funded out of that. That point needs to be on the record. The third point is that while it is easy to see it as an injudicious pursuit of UPC, I am just making the point that if one is sitting there and the issue was confidential information escaping from an organisation for which one has responsibility, one is placed in a very difficult position.

NW: The question independent observers need to ask is was it confidential information being published or was it information in the public interest pertaining to serious misuse of donor money, financial irregularities, accounting discrepancies, misgovernance, negligence, incompetence and the mismanagement of an organisation in receipt of substantial amounts of taxpayer and public money? Was it an attempt by the IRC to prevent the release of confidential information or was it an attempt to silence the truth?

Deputy Derek Nolan:   A point was made on general assemblies. Is a general assembly of the Irish Red Cross supposed to be held every two years?



Mr. Donal Forde: That is not in our rules.

Deputy Derek Nolan:   The organisation is not obliged to do that.

Mr. Donal Forde: There was an initiative taken on two occasions - in 2002 and 2005 - when a general assembly was held. The second one was very poorly attended and it was not pursued after that **NW: A misleading statement by Mr. Forde. It had been agreed at the 2005 General Assembly that the next General Assembly would be held in 2007. In early 2007 another crisis erupted within the Society resulting in the acrimonious departure of the Secretary General at the time. The Secretary General had been pursuing a program of governance reform which was aggressively resisted. Following the Secretary General's departure the IRC leadership decided to cancel the holding of a general assembly and one hasn't been held since. When questioned on why the IRC didn't hold a general assembly in 2007 and 2009 the Society claimed it was too costly, this despite being prepared to spend over €200,000 annually on consultancy, professional and legal fees. As an example the Society paid circa €480,000 over a three year period to the former Consultant/Acting Secretary General during 2008/09/10.**

The real reason the General Assemblies were not held is because the senior governance leadership feared they would be forced to leave office in the event the general membership was gathered in one location and where it would be impossible to stymie and control open discussion and debate. The non holding of General Assemblies since 2005 has been an important 'retention of power' tactic by the IRC leadership. We want



to reintroduce this. Our new constitution reintroduces the general assembly so we will go there. We are also embarking on a significant campaign of communication with our volunteers in the next few months. We are very keen to have processes where we reach out to and communicate with our volunteers.

Deputy Derek Nolan:   Having read the chairman's report for 2011, I must give credit to the Irish Red Cross. An immense amount of work appears to have been done in putting in place new procedures and corporate guidelines. The independent audit committee with external membership is a very good initiative. Reading through the material on staff and the policies that have been put in place, undertaking such a drastic reboot of industrial relations procedures implies that staff relations were disastrous beforehand. We have a reorganisation of staff, regular meetings - obviously such meetings did not take place beforehand - a new external referee and a confidential telephone number. How are staff relations? Was there a catalyst for these measures?



Mr. Donal Forde: I would not go that far. I can only speak about what we found, which was an organisation that had been through a very traumatic period. One must remember that there had been redundancies and dismissals and it had been in the news in a way it did not want to be. This was not an easy environment. These are not radical measures but all the steps one would expect to see in a well run organisation. That is simply what we are doing, namely, making sure that what represents best practice and people management is in place. I do not want to go so far as to say regular management meetings or meetings were not taking place but they may not have been taking place on quite as formal a basis as that which has been introduced.

NW: For the majority of my time employed with IRC (Oct 2005-Nov 2010) regular senior management meetings took place. There were occasional lapses but only occasional. Staff meetings took place on a somewhat ad hoc basis but nevertheless took place.

If the atmosphere of paranoia, intimidation, fear and harassment so endemic at the IRC has abated since early 2011 that is to be welcomed, if it is true. The fact, however, that a senior manager was sacked in late 2010 for speaking the truth about the grave wrongs at the Society has sent a clear and powerful message to all staff. The question must therefore be asked how much has really changed at the IRC.



Deputy Derek Nolan:   The Irish Red Cross is dependent on Mr. Howard and the Attorney General to get its new constitution in place. Is that correct?

Mr. Donal Forde: We are enormously grateful to the officials in the Department of Defence who have had to put in an inordinate effort to help us to reach the right point with the Attorney General's office. We feel we are nearly there.



Deputy Derek Nolan:   When is it expected that this point will be reached?

Mr. Michael Howard: When we checked yesterday we were assured it will be finished within a couple of weeks. As the secretary general of the Irish Red Cross said, an awful lot of work has gone into the drafting. All of the issues of policy are settled and it is now a question of formulating this in the form of a statutory instrument.



Deputy Derek Nolan:   I thank the witnesses.

Vice Chairman:   Before Deputy Harris contributes, I wish to return to one or two issues. I ask for more detail on the recruitment process for the new secretary general and his salary level. Mr. Forde spoke of getting volunteers to become more active in terms of the council which elects the executive. What has been done in terms of additional communications to encourage people to get involved?

Mr. David J. O'Callaghan: When I was appointed chairman of the Red Cross in September 2010, an acting chairman had been in place for some time. He was there on a consultancy basis, which was costing the society about €160,000 per annum.



Vice Chairman:   My apologies, that was for the chairman.

Mr. David J. O'Callaghan: That was for the Secretary General. I decided that we had better look for a permanent Secretary General and we advertised in the public press.

Vice Chairman:   Was that in September 2010?

Mr. David J. O'Callaghan: It would have been in October or November 2010. We had the short-listing and interviews were then held in December 2010 I think. We followed the guidelines for the process laid down by the Public Appointments Service. It facilitated us by providing secretarial and accommodation facilities for interviews **NW: Serious questions were asked at the time of the recruitment as to why the Public Appointments Service was involved (including the submission of applications) as this was NOT a public service appointment. Involving the PAS was also contrary to the independence from government of the Irish Red Cross and set a very dangerous precedent. It was a poorly thought out and unfortunate precedent set by the new and inexperienced (in IRC matters) Chairman. Questions remain around the real reasons for the decision.** The interview panel was made up of Professor Roger Downer, who was mentioned earlier, formerly of the University of Limerick, a member of the executive committee, Mr. Horwell, myself and an independent consultant who is an expert in human resources. Nearly 40 candidates applied for the job and we interviewed a short list of about 20. We appointed Mr. Forde who took up his appointment on 1 February 2011 on a salary of €95,000. That was the process.

NW: Is Mr. Forde entitled to a performance bonus? This issue has been raised on a number of occasions and clarity on the matter is required.

Vice Chairman:   Are there any communications on getting volunteers to go on the council and new blood coming in?

Mr. David J. O'Callaghan: Will Mr. Forde answer, please?

Mr. Donal Forde: I will. The new constitution is only a matter of weeks away. That creates the opportunity not just to introduce external people in greater measure than was the case before, but to introduce new blood to the society. We have started that process. We brought a group of volunteers together in November. We brought over a specialist team from the society's headquarters in Geneva and have had a discussion about how the organisation will develop, how we should go about development and how we should make sure we have their

involvement. A set of recommendations has been prepared and is being brought to the board meeting next week. A deputation will come from Geneva to talk about it. In support of that there is a communications process in prospect. Essentially we will go out to have meetings with volunteers and to introduce surveys with the volunteers and give them the opportunity to give feedback. There will be a fairly intense process of engagement with them through the course of March and April with a view to forming a broader view about how the organisation can become more integrated and more in touch with the volunteers locally and put at the heart of how the society is functioning. This year will see a fairly radical change in the degree to which volunteers can identify with where the society is going and feel they have a say in it.

Deputy Simon Harris: 📍 I thank the delegation for appearing before the committee. It has been a useful exchange and I hope it found it useful as well. It is reassuring to hear from the Secretary General that there will never again be a Tipperary account, to paraphrase. That emphatic reassurance will, no doubt, be a comfort to all the donors to the Irish Red Cross. It is important, even in these exchanges, to note that despite any errors or failings of corporate governance in the past, that does not undermine the excellent work done by the range of volunteers right across the spectrum in Ireland and abroad. That is to be commended. People throughout the country are grateful for that.

We are here for a specific purpose. This matter came to the attention of the Committee of Public Accounts given the reality that the taxpayer provides support to the tune of just under €1 million to the organisation. After all the excellent work done on reform and the reference in the chairman's comprehensive report to moving on from the distractions and the failings, although the delegation may not agree, I still feel that making the changes retrospective is a failing and it will certainly be an ongoing distraction.

I refer to the letter of 16 May 2011 from the Minister for Defence. Considering we know that the Minister for Defence in writing this letter is leading the Department providing the finance and is speaking effectively on behalf of the taxpayer - we know the great level of co-operation between the Department and the organisation - while the organisation may have technically dealt with the Minister's letter it certainly ignored the spirit of it. An extract from the Minister's letter states that it is unhealthy for any organisation to have individuals serving in leadership level for in excess of 12 years and in any one position for longer than six years. Even with the reforms outlined today, while a welcome step forward, not only will somebody serve in any one position for six years, there is potential for the same individual to serve for an additional six years.

When the organisation receives correspondence from the Minister for Defence, how seriously is it treated? What is its response to the Minister's assertion which is categorical and in black and white, that nobody should serve for in excess of 12 years and nobody should serve in any one position for more than six years?



NW: As noted earlier the Minister's letter was not shared with the governing Central Council of the IRC. Twelve days after its receipt the Central Council met and re-appointed a number of very long serving members in complete ignorance of the existence of the Minister's letter and its recommendations. This was a shocking display of poor governance and ill judgement by the IRC Chairman and Secretary General.

Mr. David J. O'Callaghan: First and foremost, we treat correspondence from any Minister seriously and it would have to be considered by our executive, as this was **NW: Why was the**

letter not shared with the Central Council members on the 28th May 2011? If it was eventually shared with the Executive Committee was this only after the letter's existence became widespread knowledge after the Minister discussed it during an adjournment debate in June 2011 and which was subsequently reported on in detail on a blog concerning the IRC? I cannot get away from the fact that we are a democratic organisation. People are elected at branch level. Council elect people on to the executive. That is the nature of it. If the same people keep coming forward one cannot put down arbitrary rules about these things **NW: most well functioning organisations committed to good corporate governance do have rules 'about these things'. Such a feeble response from Mr. O'Callaghan is not befitting a Chairman of a national Red Cross society.**

Deputy Simon Harris:   Sure.



Mr. David J. O'Callaghan: We took the Minister's letter seriously. At that stage it was to be two terms of three years each, giving a total of six years, and then a gap of a year. When we got the Minister's letter I said let us see if we can do something about this. We referred it to our task force, a working group on governance, and it went along with the suggestion which was agreed then by council that it would be a gap of three years.

Deputy Simon Harris:   I am not familiar with the working of the organisation on the internal level although I am familiar with the working of many volunteer organisations. I take the point that these people are volunteers. I also take the point that in all organisations, of which we all have experience, often the same people put their hands up for the same positions on an ongoing basis. I am sure the Irish Red Cross is very grateful for the support of all its donors. When we have the Department of Defence, effectively a donor giving almost €1 million on an annual basis on behalf of the taxpayer, with respect, is there not a need for leadership within the Irish Red Cross so that the organisation would literally have a discussion on what is an ongoing distraction for the organisation? The Minister through the Department of Defence has made a recommendation. Surely, in the interests of the organisation moving on this would be to the Organisation's benefit?



Mr. David J. O'Callaghan: I hope the Chairman's report to which the Deputy kindly adverted in positive terms showed that we have leadership. On this item, I have to keep coming back to the defence that we are an independent organisation, as referred to by Deputy Noonan. We are grateful to the taxpayer for the money we get and are happy to be accountable for that money but we are an independent, voluntary, democratic organisation and we have in-built systems that have been voted on by the membership, its representatives, its council and its board. No one else is crying out for this change. Those on the federation, those on the international committee, are quite happy that we are following this practice.

Perhaps I can come back to the point I made earlier. I do not wish to speak about individuals but this person is a very positive force within the Irish Red Cross **NW: This view would be rejected out of hand by many who know the reality of the Irish Red Cross** and has given his life to the organisation. It is all on a voluntary basis, all on a *pro bono* basis and he has been four square behind all the reforms that I and the Secretary General have introduced in the past 12 or 15 months. I accept the point, and I am glad the Deputy raised it, that one keeps coming across the same people. I am in another voluntary organisation. It is just a question of musical chairs. The chairperson is chairman for one term, then the vice chairman takes over and the chairman becomes treasurer. Given that only the same handful of people turn up at committee meetings, it is a question of musical chairs. It is very hard to get people to give



their time and effort to voluntary organisations. It is one of the challenges that we and all charities face. If one has an individual who is willing to give so many years of his time and effort to a voluntary organisation, on a no reward basis, I do not think it is a national scandal or anything like it **NW: In fact the situation at the IRC has and continues to be a national scandal. I believe the evidence bears this out (newspaper reports, internal report, court cases, RTE news, RTE Prime Time, parliamentary questions, calls for investigations by Transparency International etc etc etc).**

Deputy Simon Harris:   Let me put it clearly on the record. I do not know this individual's name.

Mr. David J. O'Callaghan: I know.



Deputy Simon Harris:   I actually do not want to know this individual's name. This is not about an individual.



Mr. David J. O'Callaghan: It is about governance.

Deputy Simon Harris:   I do not know anything about this person nor do I need to. In an effort to be helpful to moving on from the distraction and failings to which Mr. O'Callaghan referred in the chairman's report, which is a constructive document, I appeal to the better nature of any individual involved in any walk of life or any voluntary capacity to give serious consideration to any suggestions coming from a Department that is closely linked to the organisation in the best interests of the organisation. No doubt anybody who has given two decades of service has played a huge part.

Mr. David J. O'Callaghan: I do not wish to labour this point. I have met the Minister since. He has written to me and strongly supports and is positive about what we are doing in the Irish Red Cross. We are very grateful for that support.

Mr. Donal Forde: To some extent, an organisational dialogue is going on about matters and the whole change programme under way. The questions of rotation and retrospection have featured in that dialogue. Drawing on all the feedback, the Irish Red Cross has not set its face against retrospection. What it says is that we will not include it in our constitution because we do not need to. We can all decide in the morning, if we want, to ensure these people are not returned. That is the point being made. The point I am making is that things may change. That is an important distinction. The organisation is not setting its face against anybody who says retrospection should apply. We are saying that we will be the judge of that. We have that power and do not need to introduce that clause in the constitution. We simply will not return people if we make that decision. There is a subtlety in that, but I hope the Deputy understands the point I am making.



Deputy Simon Harris:   I do, thank you.

Deputy Anne Ferris:   I welcome the delegation from the Irish Red Cross and the representatives of the Department of Defence to the meeting. It has been said already, but we completely agree with and understand the independence of the Irish Red Cross. The Department provides just under €1 million to the organisation.

Concerns have been brought to the Committee of Public Accounts and raised in the media over the years about the organisation and as money has been provided by the State, we the feel issues should be raised. The issue of how long some people have been on the board has been raised several times. Mr. O'Callaghan said that people volunteer at branch level and are then elected on to the general executive or general council. That reminds me a little of how political parties operate, because they have a similar structure and are all volunteers. However, if, within the party or organisation, questions or concerns were raised about certain individuals, it would be incumbent on the party leader, in the case of a political party, to make a judgment, for example on a person, such as a branch chairman, who was in a certain position for so long. To have somebody in a position for the length of time in question is too long, because it does not allow fresh thinking. I know there are many other people on the board and that there is fresh blood on the board and that there is a wealth of experience and that this works. At the same time, the organisation should look at the issue from the point of view of it being a powerful position and look at the length of time a person should be in the position.



With regard to the money provided by the State, can we have a breakdown on where that money goes? For example, what is the subscription to the International Red Cross. We know that the Irish Red Cross operates on a deficit, which has been reducing. I congratulate the organisation on that. I understand that in 2009 the deficit stood at €5.7 million and that this was reduced to €2.5 million in 2010.

Mr. David J. O'Callaghan: Perhaps we could clarify those figures. Perhaps I should resign, if they are true.

Deputy Anne Ferris:   These are the figures I have been given here. It is a significant amount of money. Forgetting about the figures, the organisation has a deficit and is reducing that deficit. It is to be congratulated on that.

NW: Part of the deficit was reduced by just over €600,000 by incorrectly allocating money intended for Haiti to the General Fund (domestic) thereby reducing the operational deficit by that amount in 2010.

Mr. David J. O'Callaghan: Thank you.

Deputy Anne Ferris:   The appointment of Mr. Forde and of Mr. O'Callaghan have helped to boost the reputation of the organisation and the morale of volunteers and donors. However, it must be a huge challenge for the organisation to compete with other charities. The Irish Red Cross competes, almost on a business level, with groups like Concern, GOAL and others.



I do not have a particular question, but like my colleagues feel I should raise concerns that have been expressed. I was not aware until now that with regard to any donation I made in response to something such as the Haiti or tsunami appeal, I had to specifically say that I wanted my €20 or €100 to go to that appeal rather than just to the organisation. I would just have sent in a cheque and would have assumed that the money would go to the appeal. It was news to me and to many other people that it was necessary to specify. This message must be communicated to people. If I was hard pressed for money and donated €5 or so, and then became aware of statements in the media with regard to that money not going to the appeal, I

would be very concerned. Therefore, the organisations should make this clearer through publicising the need to specify where a donation is to go.

Mr. Forde mentioned that when the Tipperary account came to light, he contacted the banks and credit unions about other accounts. How many other accounts were there?



Mr. Donal Forde: I will check that, but the figure of 49 is in my head. There were a significant number.

NW: There were 49 accounts in Bank of Ireland. Mr. Forde did not answer how many accounts were discovered in the other banks.

Deputy Anne Ferris:   Would the board have been aware of those accounts?

Mr. Donal Forde: No, they were unknown.

NW: The national Vice Chairman obviously knew about the biggest account of them all, the undisclosed €162,000 in Tipperary as he was a signatory on the account. Also has it ever been verified that no other board member (Central Council or Executive Committee) was a signatory on any of the other 48 undisclosed accounts?

Deputy Anne Ferris:   Therefore, apart from the Tipperary account, there were 47 or 48 other accounts.

Mr. Donal Forde: There were, but not to make too much of that, the balance in those accounts amounted to €50,000. The Tipperary account was the key issue.

NW: “not to make too much of that”...49 undisclosed bank accounts would be an extremely serious matter in any well functioning organisation but Mr. Forde appears to play this down. In addition one of the accounts discovered had an €8,058 overdrawn amount in clear violation of IRC policy. How was this paid back and why was the account overdrawn? Has this ever been investigated? Mr. Forde’s attitude is symptomatic and reflective of the deep rooted indifference that prevails at the leadership level of the Society concerning these matters.



Deputy Anne Ferris:   What happened to the money in the Tipperary account?

Mr. Donal Forde: It was instantly directed to the tsunami appeal as intended and was spent. To be fair, it always would have been. The issue was the delay.

NW: A factually incorrect and false statement by Mr. Forde. The account was discovered in April 2008. It took a further six months to transfer the money to IRC HQ in Dublin (September 2008). There has never been an explanation for this delay.

It is impossible for Mr. Forde to say the money would have always been spent. The account was undisclosed and therefore not known to the International Department. Therefore it would not have been sent because it was not known about. The Tipperary branch officers involved were caught with an undeclared account. Nobody can tell what would have happened to the money if the Tipperary officers had not been caught and if the account had not been discovered by IRC head office.



The issue was not just the ‘delay’. The issue also included the fact that people (including the national Vice Chairman) knowingly broke clear IRC financial policy and procedure and continued to do so for a number of years until they were caught.

Deputy Anne Ferris:   There is a question of what would have happened if it had not come to light.

Mr. Donal Forde: It is important to be specific on this. That money was in an account designated for the tsunami appeal and was never going to be spent on anything else. It was a restricted account. Therefore, there was no question that this money would not have been spent on the intended purpose **NW: How can Mr. Forde state this when such statements are impossible to state. No-one knows what would have happened to the money if it had not been discovered and recovered by IRC HQ..** The issue was that it was lying there for a period before it was directed.



Deputy Anne Ferris:   How long was it lying there?

Mr. Donal Forde: From early 2005, so for a period of three years.



Deputy Anne Ferris:   The tsunami appeal was well over then. The public appeal was well over. My concern is that it sat there for three years.

Mr. Donal Forde: I am not trying to justify that. I simply wish to explain. I made the point earlier that it was well known that a decision had been made that the money would be spent over five years. That is not unusual for a large amount of money when there is a huge need. Therefore, if I was sitting in Tipperary, I could understand that the money would be spent over five years. I would know the money was sitting there and would be in no doubt about what would happen the money. Perhaps I might get to a point where I would say to myself that head office would come looking for the money when it was appropriate for it to direct the last of these moneys into the programme **NW: how would head office come looking for money that was concealed from them and which they knew nothing about? It is desperately disappointing that Mr. Forde, who had the opportunity to clean up the IRC, has become the mouthpiece tasked with explaining away fundamentally unacceptable behaviour..**



I can understand that train of thought, but I am not trying to justify it. It is important to have the context.

Deputy Anne Ferris:   I know that. I am not making accusations or allegations. Would that money have gained interest?

Mr. Donal Forde: Yes, and the amount that was returned included interest.

Deputy Anne Ferris:   Did all that money go to where it was supposed to go?



Mr. Donal Forde: It all went to where it was intended to go.

Deputy Anne Ferris:   Mr. Forde mentioned the Finlay report, an external report. What did that cost?



Mr. Donal Forde: I do not have that information to hand. I will have to try to find it.



Deputy Anne Ferris:   Perhaps Mr. Forde can come back with that in the future.

Mr. Donal Forde: If I find it, I will.

Deputy Anne Ferris:   I asked earlier for a breakdown on the money the organisation gets from the Department.

Mr. Donal Forde: Bear with me, -----



Vice Chairman:   To be helpful, the organisation made an overall statement of expenditure over income for 2010 of €2.5 million. There was a surplus of €108,000 on unrestricted funds and a deficit on the restricted funds of €2.5 million. The designated funds spending was €45 million. That is in the 2010 accounts. It is in that context that Deputy Ferris is asking her question.

Deputy Anne Ferris:   That is right.

Mr. Donal Forde: If I can take up three points, I will direct myself to the questions asked about the breakdown of the moneys. While I am doing that, I will ask Mr. Ronan Ryan to address the question of the need for us to make sure that donors understand where their money is being directed.

Mr. Ronan Ryan: The Deputy made a point about when somebody sends in a cheque. I want to reassure her that we make every effort to ascertain exactly what people want their money to go towards. The reality these days is that a reply to an appeal will only be made when prompted, so if it is with us, there will be a clearly marked donation slip. A coupon cut out of the newspaper will have a specific code which will state what the money is for. The bulk of donations are now made online, and a very specific choice has to be made from a drop-down list. It is getting increasingly difficult to donate in an unrestricted way, and the trend is towards an ever greater restriction of gifts. It is quite unusual for people to send in a donation unprompted in an unrestricted form. It does happen and many donors who choose that, from my experience of talking to them, are happy for their donations to be used in a general way.

As the Deputy highlighted, the charities are competing. We all do quite a bit of marketing and all that effort is direct marketing, so it would come back with some form of response mechanism, which would let me know that the donor wanted the money to go to Haiti. I just would like to reassure the Deputy on that point.

Deputy Anne Ferris:   If somebody was kind enough to leave €50,000 in a will and it was not specific, it would go in. I do not think anybody would mind even if they had not specified whether it was Haiti or the tsunami or Pakistan, as long as it went somewhere. The concern is if the money was going towards the day-to-day running of the headquarters.

Mr. Ronan Ryan: I totally agree, but that is not what the money is spent on.



NW: Mr Ryan is incorrect. Unspecified donations to IRC are allocated 100% to the General Fund which is a domestic account used for a variety of expenditures including administration and overheads. Not a penny of the General Fund is ever spent on any

overseas related activity or program. This was the policy within IRC at least up until my departure in November 2010. It was a policy I vigorously opposed during my employment.

Mr. Donal Forde: I am not sure where the Deputy's numbers came from in respect of the deficit, but I would like to reassure her that the society had a deficit in 2009 in its general funds management of €264,000. We had a surplus in 2010 of €108,000. This year's accounts have not been published yet, and we expect they will largely break even **NW: if the €600,000 of Haiti income, which was incorrectly allocated to the domestic account, had correctly been recorded to Haiti then the IRC accounts would have shown a deficit in 2010 of circa €492,000. There was huge pressure in 2010 not to run up a deficit such as was incurred in 2009. The use of the Haiti money domestically ensured there would be no deficit.**

Deputy Anne Ferris:   What was the deficit in 2010?

Mr. Donal Forde: In 2008, there was a surplus of €485,000, in 2009 there was a deficit of €264,000 and in 2010 there was a surplus of €108,000.



Deputy Anne Ferris:   So the deficit has been cleared.

Mr. Donal Forde: There is quite a bit of focus in our written material on making sure we do not have a surplus in the future, given the changing world in which we live. The Deputy's attention on our financial well-being is right, but for the record, we have no deficit.



In 2011, we received €821,000 in a grant from the Department. Our core cost is essentially the cost of running the secretariat. That essentially is the cost of representation by me, the administrative function that supports the board, the finance department, which is staffed by four or five people, and other functions such as communications, IT and information support. There are also utility costs such as phones, lights, heating and so on. All of this came to €1.117 million last year. We set the grant of €821,000 against that, and this led to a deficit. That deficit is met out of our commercial activities.

Deputy Anne Ferris:   What would they be?



Mr. Donal Forde: As I explained earlier, we have a very extensive network throughout the country where we provide professional training, first aid and other things. That helps to close the gap.

Deputy Anne Ferris:   I have one last question on the expenditure figure. Is remuneration given to the board or the council?



Mr. Donal Forde: No.

Deputy Anne Ferris:   Even in travel and all that kind of thing?

Mr. Donal Forde: I apologise. They are recompensed for any vouched expenses, but there is no remuneration.

Deputy Anne Ferris:   How many times a year would the central council and the executive meet?

Mr. Donal Forde: The central council meets twice a year and the executive meets every month bar August.

Deputy Anne Ferris:   That is 11 months in the year. How many people are on the central council?

Mr. Donal Forde: There are 47 people on the central council at the moment and there are 12 on the executive.

Deputy Anne Ferris:   Travel and subsistence would be paid.



Mr. Donal Forde: Vouched expenses are for people-----

Deputy Anne Ferris:   Are they available?



Mr. Donal Forde: Are they available in terms of records?

Deputy Anne Ferris:   Yes.



Mr. Donal Forde: Yes they are.

Vice Chairman:   The 2010 accounts are broken down into general unrestricted funds, and there is a surplus of €108,000. You expect that to break even in 2011.



Mr. Donal Forde: It may be a small deficit, but it is in that order.

Vice Chairman:   The society overspent the restricted funds by €2.5 million, so it spent more than it took in. What are the designated funds? I presume they are the same form.



Mr. Donal Forde: We have spoken about two categories this morning: unrestricted and appeal moneys. On occasions we are granted money that is explicitly for other purposes. We call that designated money.

Vice Chairman:   Like what?

Mr. Donal Forde: For example, it can be given for the development of the national society. We have one such fund.

Vice Chairman:   What will be the outturn for the restricted funds in 2011?



Mr. Donal Forde: I do not have it to hand.

Vice Chairman:   You can forward it. The amount of restricted funds remaining come to about €3.5 million, and the society had a deficit of €2.5 million last year. Has the negative media attention on the Irish Red Cross affected its capacity to raise funds? I would like to acknowledge the great work by volunteers on the ground, and Mr. O'Callaghan mentioned

this at length. We know people of that regard as well, but has this attention affected fund-raising? The society's funds appear to be depleting.

Mr. Donal Forde: I will ask Mr. Ryan to come in on that, but there is no doubt that it has not helped us. Some of the publicity and some of the issues raised are not helpful to an organisation that depends on public trust. We have been engaged in very extensive communications over the past while, when compared with our donors. We are endeavouring to be open about the failings of the past and we are also endeavouring to be very specific about the measures that have been taken to put things right. We have no doubt that this is making an impact, but it is beyond question that all the publicity did not help the organisation in recent years.

Mr. Ronan Ryan: We wrote to our donors last summer to acknowledge all the governance failings that had happened. I had a lot of contact with donors at the time, and many of them expressed disappointment at what had happened. The fact that we were communicating with them and were open with them about it meant that many of them said they would come back to us. They had natural concerns, but they were coming back to us. I have observed a turn in our fortunes in the sense that many of our donors have been won over as we were open and transparent and put our hands up where it was due.

Vice Chairman:   How does the society decide about monitoring the bank accounts in branches throughout the country? How long would it leave funds in those accounts? What type of controls have been brought in? There are volunteers throughout the country and many of them are now quite nervous about bank accounts in their branches, given the media attention on them. Like all forms of oversight, this went back to the lack of financial controls within the Irish Red Cross itself. Tipperary should never have happened. If the controls had been in place, it should never have happened. There should have been automatic reporting and the issue should not have arisen. There are many questions about that three-year period that remain unanswered. How is the organisation now dealing with that issue?

NW: The PAC Vice Chairman is correct. There are many remaining unanswered questions that need to be addressed particularly as those individuals involved in the Tipperary account remain in senior influential positions within the Society and as such the IRC remains exposed.

Mr. Donal Forde: I will deal with that specifically. I said earlier on that, by contrast with the circumstances prevailing at the time of the Tipperary account, if there is a national appeal now, there is one account at the centre. No appeal moneys are held in branches.

Vice Chairman:   What about moneys collected locally?

Mr. Donal Forde: It is lodged to a central account. One is given the details of the account and told to lodge it - end of story.



Vice Chairman:   That is fine.

Mr. Donal Forde: A question was asked about local financial activity in the branches. They have ambulances and they get income from using those for duties. They have expenses associated with them and other such things. They have to submit their accounts to the centre at half-yearly points. It is mandatory to do this. Those accounts are reviewed at the centre by

the finance team. They are now in the last year and they have been consolidated, so it is essentially the total accounts. A full reconciliation process goes on at the centre. At half-yearly or six-monthly intervals, all banks must give us reports setting out all the accounts they have there for the Red Cross, and they are cross-checked and reconciled against all the branch returns, so that there is full knowledge and full data and everything is dealt with. Then, in addition to that process, there is an extensive programme of education and training for all our branch treasurers.

The Vice Chairman's point is well made; some of the members are fearful, not so much because of the Tipperary account, but because the requirements of a charitable organisation have intensified, leaving aside the issues that the Red Cross has had to deal with in the past. The requirements of a charitable organisation have increased substantially. These include requirements for openness, transparency, full records, appropriate receipts, information and all the rest of it. It is an intimidating burden for a volunteer who, in some cases, has no financial training. We have a considerable job, on an ongoing basis, to raise the level of competence and expertise to an acceptable level for all of our treasurers. They are mindful of this and, as people who are busy in other walks of life, they are conscious that this comes with being part of a cause. I do not want to hide the fact that some are fearful, but all are very mindful of the responsibilities they carry. I would not attribute it to the Tipperary account but to the fact that the accountability of a person who takes the role of treasurer for a charitable organisation has changed dramatically. That is acknowledged.



I do not deny that people may have unanswered questions about the period 2005 to 2007. The report conducted at the time is freely available and is reasonably thorough in going into most of the details. It does not hide the fact----



Vice Chairman:   Corporate governance would appear to have been virtually non-existent at corporate level within the Red Cross.

NW: The PAC Vice Chair has summed it up in a nutshell.

Those who attempted to address and correct the dire problems at the IRC were targeted aggressively and treated with contempt and hostility. The evidence of high staff turnover, short tenure Secretary Generals, dismissals of staff, ill treatment of board members, resignation of board members and a general atmosphere of fear is testament to this.

Mr. Donal Forde: It was not where it needed to be.



Vice Chairman:   That is the heart of the problem. The volunteers up and down the country who work with the Red Cross and other organisations must be applauded. That is why it is welcome that the representatives of the Red Cross came here today. However, there is obviously a further body of work to be done. I know you are looking for an honours result, but I think you should be looking for the A. That is what corporate governance is about.

Deputy Eoghan Murphy:   There are a couple of things I want to clear up in my head. I thank the witnesses for coming in. They are here in a voluntary capacity and, as I said previously, it is important that they are here and that we have this conversation in the interest of protecting the good name of the organisation and all those who volunteer for it and donate to it. Volunteers are incredibly important; there would be no society without them. However,



it is also important, when so many criticisms are levelled against a particular organisation over such a long period, that change happens, and that it is real change and not just a change on paper. There may be long-serving volunteers, and it is important that those volunteers are there to act in the best interests of the organisation and not of themselves. Mr. O'Callaghan repeatedly referred to the organisation as a democracy, and it is a democracy in its operations, but democracy is imperfect; Mr. O'Callaghan knows that from his position in the Department of Defence. It is not perfect in Ireland, nor in the European Union or other countries. The role of leadership in these societies is to make sure that when there are problems, they can be addressed in a fair way, bearing in mind democratic principles and the fact that we have checks and balances and rules in society to ensure that all is fair.

With regard to Mr. Ryan's comments, it is great to hear that people are coming back now, given the different reforms that are already under way, because it is important for us as a society. With regard to the money raised for funds such as the Haiti fund, if there is an excess of money left over that the organisation cannot deploy for the appeal in question, is that money then moved into the domestic fund?



Mr. Ronan Ryan: I have never come across that situation. I would write to my donors and ask them if-----

Deputy Eoghan Murphy:   That has never occurred with the tsunami appeal or the Haiti appeal?



Mr. Ronan Ryan: Not to my knowledge. I certainly have no experience of it. I stress that, as somebody who has worked in charities for a long time, I find it inconceivable that such would happen, although in theory it is always possible, and one must legislate for it, which is why we have it in our income policy. I have never come across it; the need is generally so vast.

Deputy Eoghan Murphy:   We hear news reports sometimes about an excess of money being raised that cannot be deployed effectively in a country.



Mr. Ronan Ryan: I will give the Deputy an example. We received a donation yesterday for an appeal that has been closed, and we are going to write to the donor saying "Thank you so much, but we have to send this back to you because the appeal is closed."

Deputy Eoghan Murphy:   It is good that people know that.

Mr. Ronan Ryan: The spirit is always that the donor decides.

Deputy Eoghan Murphy:   Thank you. With regard to structures, which we talked about earlier, there is a head office in Dublin from which Mr. Forde, as secretary general, runs the organisation.

Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   That is a full-time position. How many full-time staff do you have working for you?

Mr. Donal Forde: Full-time, 31. Thirty-one or 32, as there are some part-timers also.

Deputy Eoghan Murphy:   Have you engaged any consultants?



Mr. Donal Forde: None. Somebody may be paying somebody €1,000 or €2,000 somewhere, but there are no significant consultancy contracts at the moment.

NW: This would appear to be a loose careless response as every penny of IRC money needs to be tightly and effectively managed and controlled. It is this offhand approach to expenditure that has seen huge waste and inefficiency at the IRC for many years.

Deputy Eoghan Murphy:   Have there been previously?

Mr. Donal Forde: Yes, before recent times.

NW: The Acting Secretary General up until 2011 (February) was a consultant being paid circa €165,000 per annum.

Deputy Eoghan Murphy:   What kind of consultants were engaged?

Mr. Donal Forde: Financial and legal consultants-----

NW: There was also a Web Consultant and a Communications/Media Consultant employed on a regular/permanent basis up until at least end of 2010 and possibly into 2011.

Vice Chairman:   The CEO was a consultant; is that correct?

Mr. Donal Forde: He was, for a time. So yes, there were some significant consultancy contracts.



NW: Declan O'Sullivan was hired as a Consultant in early 2008. He was a financial consultant. In December 2009 he became a consultant Acting Secretary General for the IRC. His contract with IRC was ended suddenly circa Feb 2011. He was paid approximately €480,000 (not including expenses) in 3 years.

Deputy Eoghan Murphy:   There are none for 2011, or for 2012?

Mr. Donal Forde: There are certainly none under way at the moment - that is for sure - and there have been none recently.

Ms Breda Hawshaw: No.



Mr. Donal Forde: We have somebody working on our property project who is being paid €4,000 or €5,000 for help. That is the extent of it.

Deputy Eoghan Murphy:   Do you have an idea of how much in total was spent on consultancy in 2010?



Mr. Donal Forde: I would have to go to the accounts. I suspect a significant amount was spent, because at that time the previous secretary general was employed in a consultancy capacity.

In 2010 the audited accounts report a total amount of €209,405 on Professional Fees and an additional €52,780 on Public Relations giving a total of €262,185. In 2009 the audited accounts report a total of €283,817 in Professional Fees and an additional €91,257 on Public Relations giving a total of €375,074.

It is to be recalled that IRC had a deficit of €264,000 in 2009 which nearly equates exactly to the figure spent on professional fees and public relations. In 2010 the IRC reported a surplus of €108,000 but in reality a deficit of circa €492,000 was incurred when the money that should have been allocated to Haiti and not domestically is taken account of.

Deputy Eoghan Murphy:   The previous secretary general was employed as-----



Mr. Donal Forde: As a consultant for a period, yes.

Deputy Eoghan Murphy:   Consulting as secretary general, or consulting in a separate position?

Mr. Donal Forde: He was acting secretary general for a time and was paid as a secretary general. Am I right in saying that?



Ms Breda Hawkshaw: Yes.

Mr. Donal Forde: Yes, he was paid on a consultancy basis.

Deputy Eoghan Murphy:   Acting secretary general of the Red Cross?

Mr. Donal Forde: Acting head of finance for a period, and subsequently acting secretary general. I think it is fair to say that.

NW: The individual was hired originally as a finance consultant, then became the Acting Head of Finance in a consultancy role and then Acting Secretary General in a consultancy role.

Vice Chairman:   I will just come in on one point. Mr. Forde said that a consultant was acting secretary general.

Mr. Donal Forde: For a time, yes.

Vice Chairman:   Prior to that had been acting head of finance?

Mr. Donal Forde: For a time, yes.

Vice Chairman:   In what period was he acting head of finance?



Mr. Donal Forde: This was after the period in question. He was brought in, essentially, to try to bolster and reinforce the financial governance processes and that happened after the-----

Mr. David J. O'Callaghan: Post-Tipperary.

Mr. Donal Forde: Yes.



NW: This is totally incorrect and inaccurate evidence by Mr. Forde.

Mr. Declan O' Sullivan (the consultant in question) was working for the Irish Red Cross as a Finance Consultant when the Tipperary Bank account was first discovered. It was Mr. O'Sullivan who, through a contact in Bank of Ireland, first discovered the account (and the 48 other undeclared accounts) and who immediately informed the Secretary General at the time. Mr. O'Sullivan was the most senior IRC finance official from early 2008 until he was appointed IRC Acting Secretary General in December 2009. He was working for IRC before, during and after the Tipperary account's discovery.

Vice Chairman:   Getting back to Deputy Murphy's point, professional fees were €211,000 in 2010 and €288,000 in 2009. Is the public relations and communication department in-house?



Mr. David J. O'Callaghan: Yes.

NW: This answer is misleading in that it only gives the partial truth. The IRC had its own Communications Manager (staff member), its own Communications Assistant (staff member) whose costs are recorded under 'Payroll and staff costs'. IRC ALSO had an external PR/Media Consultant (Mr. David Curtain) who was used frequently. This PR/Media Consultant was particularly busy on behalf of IRC during 2010. He worked for the IRC as an external PR/Media consultant for many years.



Vice Chairman:   The costs for this were €52,000 in 2010 and €91,000 in 2009. The professional fees in 2010 were quite significant.

Mr. Ronan Ryan: A consultant was used on the communications side in 2010 **NW: and for the ten years prior to 2010..**



Mr. Donal Forde: I am not denying that at all - in fact, I would say they were inappropriately significant. However, that has all been addressed.

Deputy Eoghan Murphy:   Sorry; I missed that.

Mr. Donal Forde: The level of expenditure on consultants on aggregate, in 2010 and 2009, is not appropriate to the times we live in. That has changed.

Deputy Eoghan Murphy:   Fine. Was it appropriate at the time? Was the organisation running a deficit at the time when it was employing these consultants in 2009?



Mr. Donal Forde: No. There was a deficit.

Vice Chairman:   There was a €12,000 deficit and a €64,000 deficit.

NW: The deficit in 2009 was €264,000



Mr. Donal Forde: We did employ them but not consistently during that time. That is the point.

NW: This is a false statement by Mr. Forde. The Finance Consultant/Acting Head of Finance was consistently/full time employed from 2008 until his departure in Feb 2011. His fees were a considerable source of concern in a number of quarters within the Society and I personally raised the matter with the Secretary General on a number of occasions during 2008 and 2009.



Deputy Eoghan Murphy:   Often, we have the conversation that what was being paid then would not be appropriate now given the circumstances. However, I am trying to make the point that these were never appropriate, especially if the organisation was running a deficit at the time and spending so much on consultancy fees. I return to the point. The acting secretary general was also acting head of finance for two separate periods. Is that correct?

NW: The exorbitant payment of consultancy fees was an issue for IRC staff as far back as 2007 when eighteen (18) staff formally wrote on separate occasions to the Chairman at the time (Mr. David Andrews) and the Central Council outlining a number of serious concerns they had one of which included the very high levels of expenditure on consultants.



Mr. Donal Forde: Not at the same time.

Deputy Eoghan Murphy:   Was he being paid a salary or a consultancy fee?

Mr. Donal Forde: A consultancy fee.

Deputy Eoghan Murphy:   One consultancy fee. Is that correct? This was when the acting secretary general was not working with finance in a direct capacity. Was he paid separately before that?

Mr. Donal Forde: They were two separate periods.

Deputy Eoghan Murphy:   There are two separate periods and two separate salaries. I simply wish to be clear on that. What are the general salary scales in the organisation, without naming positions or individuals, from top to bottom among the 32 or so people who work in headquarters?

NW: The Finance Consultant who was hired early 2008 and eventually became Acting Head of Finance/Consultant and who after that became Acting Secretary General/Consultant was paid a consultancy fee of circa €160,000-€165,000 per annum for each of the three years he was employed as a consultant for the IRC. This does not include payment of expenses and it is not known by this author if the Society was also making a pension contribution on his behalf or in addition to his consultancy fee.



Mr. Donal Forde: Today, they range from €12,000 to my own, that is, €95,000.

Deputy Eoghan Murphy:   Is that competitive for the field the organisation works in?



Mr. Donal Forde: All these salaries have reduced significantly, typically by 40% across the board **NW: Existing staff have NOT had salary reductions.** Are they competitive? Yes, I believe they are appropriate at the moment. On occasion, we have difficulty attracting someone at the salaries we have but we are trying to be careful.

Deputy Eoghan Murphy:   Fine.



Mr. Donal Forde: Generally, I would say “yes”.

Deputy Eoghan Murphy:   What are the total salary costs for the organisation, for the 32 people in headquarters?

Mr. Donal Forde: I gave the figure earlier. I do not have the total. To be clear, they are broken up into teams and a small number of these work in support of the international operations. Some of them operate our commercial activities and I have them broken down in that way. Certainly, I can provide the committee with the number across the totality of it.

Deputy Eoghan Murphy:   Do they generate separate salaries as they are deployed? Let us suppose someone is employed by headquarters in Dublin and then they start to work in some capacity with an international team. Is there a separate top-up to the salary or a separate payment from the international organisation?



Mr. Donal Forde: No. They are paid a salary. Like any office, they are organised into teams and I consider the costs on that basis. I do not think I can supply the committee with it.

Deputy Eoghan Murphy:   The central council is the main governing body. Is that correct?



Mr. Donal Forde: Yes.

Deputy Eoghan Murphy:   Does Mr. Forde report to it?



Mr. Donal Forde: Essentially, I report to the executive committee on a day-to-day basis. This is the group of 12 to which I referred. I report to the chairman on an operational basis.

Deputy Eoghan Murphy:   How are those on the central council, approximately 40 people, appointed?



Mr. Donal Forde: Some 30 odd are elected by their areas to the council. The balance of 15 or 16 are Government nominees.

Deputy Eoghan Murphy:   The Government appointees are political appointments. Is that correct? Are they appointed by the Minister of the day?



Mr. Donal Forde: Yes. They are appointed by the Minister of the day.

Deputy Eoghan Murphy:   The central council appoints the executive committee, a small grouping of 11 or 12 people.

Mr. Donal Forde: Yes.



Deputy Eoghan Murphy:   How often do the central council and the executive committee interact?

Mr. Donal Forde: Twice each year.



Deputy Eoghan Murphy:   The central council is the main governing body and the executive committee reports to it. Is that correct?

Mr. Donal Forde: Constitutionally, we describe the central council as the highest deliberative body. It delegates the executive committee to manage the affairs of the society on a day-to-day basis. It oversees the affairs of the society.

NW: Deputy Murphy is correct. The Executive Committee reports to the Central Council and it does so formally twice a year.

Deputy Eoghan Murphy:   It meets twice per year. What of the executive committee?

Mr. Donal Forde: It meets monthly, apart from August.

Deputy Eoghan Murphy:   Members of the central council and the executive committee are entitled to claim expenses. Is that correct?



Mr. Donal Forde: Yes. That is right.

Deputy Eoghan Murphy:   How are they claimed.

Mr. Donal Forde: They are vouched expenses.

Deputy Eoghan Murphy:   They submit receipts for everything. Is that correct?



Mr. Donal Forde: They submit receipts to the secretariat, a professional team.

Deputy Eoghan Murphy:   If they must travel, does this include overnight accommodation?



Mr. Donal Forde: Infrequently, but on occasion it might.

Deputy Eoghan Murphy:   Does it include a *per diem*?



Mr. Donal Forde: Some do not claim. In fact, many do not.

Deputy Eoghan Murphy:   Does Mr. Forde have a figure? How much is it?



Mr. Donal Forde: I do not have it to hand but Deputy Murphy is welcome to it if it is there.

Deputy Eoghan Murphy:   I am interested to know the details.

Mr. Donal Forde: The head of finance is making the point that many do not claim expenses to which they are entitled. We will get a figure for expenses, if that is helpful.



Deputy Eoghan Murphy:   As I understand it, the executive committee operates like a board. I understand Mr. O'Callaghan is the chair. is that correct?

Mr. David J. O'Callaghan: That is right. Yes.



Deputy Eoghan Murphy:   That position is an appointment by the Minister. It is not an elected position. The chairman is appointed by whom?

Mr. David J. O'Callaghan: I am appointed by the Government on the nomination of the Minister on a *pro bono* basis. I am president.

NW: Mr. O' Callaghan is incorrect on this. Mr. O'Callaghan is the Chairperson of the Irish Red Cross. The President of Ireland is automatically, by virtue of his or her office, the President of the Irish Red Cross. Currently therefore the President of the Irish Red Cross is his Excellency Mr. Michael D. O'Higgins. It is not Mr. O'Callaghan.

Deputy Eoghan Murphy:   How long has Mr. O'Callaghan been in this position?

Mr. David J. O'Callaghan: Since September 2010.



Deputy Eoghan Murphy:   Who was the chairman's predecessor?

Mr. David J. O'Callaghan: Mr. David Andrews.

Deputy Eoghan Murphy:   How long was he there for?



Mr. David J. O'Callaghan: He was there for eight or nine years.

NW: Mr. Andrews resigned suddenly in December 2009 with over two and half years remaining on his fourth term. He had just been reappointed by the Government in April 2009. He resigned on the same day as the Secretary General, Mr. John Roycroft, who had over eighteen months to go on his three year contract.

Deputy Eoghan Murphy:   When the members are elected to the central committee by their local branches, how long are they elected for? Is it a five-year or a one-year appointment?



Mr. Donal Forde: It is a one-year appointment.

NW: I believe this is incorrect. Members are elected to Central Council for a three year term. 12/13 members are then elected from Central Council to the Executive Committee for a one year term.



Deputy Eoghan Murphy:   Every year, the branches meet and re-elect a member to the central committee and they can go forward to the executive committee. Is that correct? We discussed the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies and their involvement with the organisation. Is it true to say that the ICRC in Geneva did not always hold the most favourable opinion of the Irish Red Cross in terms of how it operated?

Mr. Donal Forde: No. I know of no reason Deputy Murphy would say that.



NW: Both the IFRC and ICRC have been for many years deeply concerned about the IRC, its governance, its performance as a national society and its decade's long crises and scandals.

Deputy Eoghan Murphy:   What about all the reasons we have been discussing all morning, including the poor financial controls and governance? Would they have been aware of it?



Mr. Donal Forde: They would have been aware of it but I know of no reason. They would have seen the need for change at all times. They would have pointed to the need for change but I would not go so far as to say they took a dim view. It is for them to say as much.

Deputy Eoghan Murphy:   Naturally, it is for them to say that but what was one's understanding of their impression? If they supported the need for change they cannot have been happy. We can deduce that much. They would not have been happy with the *status quo*.



Mr. Donal Forde: I can only speak of the position since my arrival and they have been supportive. They have always been in a constructive mode, essentially pointing to the need for the organisation to raise its game. In my experience there has not been so much criticism as there has been pointing to what needs to be done.

Deputy Eoghan Murphy:   That is helpful.



Mr. Donal Forde: It is helpful. Absolutely.

Deputy Eoghan Murphy:   How often does the Irish Red Cross Society interact with the ICRC or the international federation? Is it regularly?

Mr. Donal Forde: I interact with the federation monthly. I visit formally for an extended period from time to time. It is appraised at all times of what is taking place.



Deputy Eoghan Murphy:   Would Mr. Forde agree that it has a good understanding of what has happened in the Irish Red Cross, the changes under way and what these changes will mean when they are implemented, for tangible things such as positions on the board and so on?



Mr. David J. O'Callaghan: I am in correspondence with it. There has been encouraging and supportive correspondence from it.

Deputy Eoghan Murphy:   I read a letter from the federation to the effect that it is happy that the Irish society is engaging with the Government and supporting it in that way. Is the chairman satisfied that the ICRC and the international federation fully support all the proposals the Irish Red Cross has put down and that it understands what this will mean in practice?



Mr. David J. O'Callaghan: Absolutely. That is without question.

Mr. Donal Forde: I need to say this repeatedly to the committee. It has been constructive, supportive and helpful in trying to find the balance between what is right for the Irish Red Cross and what might be the view elsewhere.



Vice Chairman:   Deputy Murphy, have you many more questions?

Deputy Eoghan Murphy:   I wish to put one more question in respect of the commercial operations of the organisation. What are these worth to the society?

Mr. Donal Forde: Something of the order of €300,000 in the past year. Like everything else, it was greater previously.

Deputy Eoghan Murphy:   That goes against topping up what the Government subsidy does not meet. Is that correct?

Mr. Donal Forde: Yes.



Vice Chairman:   Before I call on Mr. Buckley to make his concluding remarks, on behalf of the committee I thank the delegation for coming in. It has been a worthwhile venture. I hope it will help to enhance the damaged image of the Irish Red Cross and the great work being done by volunteers throughout the country. We wish you well and we hope you continue to examine the corporate governance. There are further reviews to be carried out in respect of board membership and that area and to encourage new people to come on board. That will be taken on board. I call on Mr. Buckley to conclude.

Mr. David J. O'Callaghan: I thank the committee for the fair and comprehensive questions and for the opportunity it has given to us today.

Mr. John Buckley: The changes being implemented should have some structured process for feedback so that the Department of Defence can be assured that the change management and organisational development we have heard about today will be realised from now on. This would give a great deal of assurance in future. Clearly, the committee will also want to monitor what the Department is doing about the primary legislation and introducing the new constitution through a statutory instrument.

NW: it always struck me as highly unusual that the International Department of the Irish Red Cross was obliged to submit detailed narrative and financial reports every 3 months to Irish Aid in relation to funding it received for its operations in Niger and Malawi. This I considered good practice for both IRC and Irish Aid. Regarding the Department of Defence grant, however, which is much larger than the Irish Aid grant, no such requirement for detailed narrative or financial reporting exists. As such the IRC is not obliged to report on a grant of nearly €1 million of taxpayers' money. The Department of Defence has stated on record in response to PQs that it refers to the IRC audited accounts. These accounts show only one line for the total income from DoD and one line for the total expenditure of DoD income and only apply to IRC's head office and not the entire organisation. There is no detailed breakdown of expenditure and no narrative reports explaining which activities the government grant helps support, how the grant contributes to making the national Society a well functioning high performing organisation etc etc.

It is the view of this author that the DoD has been remiss in its duties of monitoring taxpayers money given to the IRC and in ensuring it is spent effectively and as per its intended purpose. I am not aware of the DoD ever once conducting an audit of the IRC despite giving it a large annual grant for decades. This lack of oversight and follow up by the DoD has played a central part in cultivating the culture of impunity that has existed for so long at the IRC.

Vice Chairman:   Does the committee agree to dispose of Chapter 32 - Financial Control in the Irish Red Cross? Agreed.

I thank the witnesses for attending the meeting.

The witnesses withdrew.

The committee adjourned at 1.10 p.m. until 10 a.m. on Thursday, 26 January 2011.