

Irish Red Cross  
Crois Dhearg na hÉireann

Mr. John McGuinness, T.D.,  
Chairman,  
Public Accounts Committee,  
Leinster House,  
Kildare Street,  
Dublin 2.

14<sup>th</sup> March 2012.

Dear Chairman

I note from the PAC Website that Mr. Noel Wardick has written to you in criticism of the evidence given by the representatives of the Irish Red Cross Society to the PAC on January 19<sup>th</sup> last. We will want to consider his submission in much more detail but I felt it important, more immediately, to highlight some of the many inaccuracies in the statements that he has made.

Mr. Wardick makes substantial comment on the Tipperary Bank account incident and his views of what was known of this affair by various volunteers, staff and Board members. In a previous letter (dated 14<sup>th</sup> February 2012) we have made the point that there are many conflicting and irreconcilable recollections of what was known about the Tipperary bank account incident and we can only rely on the formal records of the Society in terms of the evidence that we have given. We do not wish to comment further on the Tipperary account references at this point.

However, there is reference to a Banagher Branch Account.

**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 €8058.77. 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 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 was 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.**

This matter requires no investigation. Banagher Branch, Co. Offaly took out a Term loan with the Bank of Ireland on 26<sup>th</sup> of October 2007 for €8000 towards the purchase of an ambulance for the local community. This was repaid by 8<sup>th</sup> of March 2010 and the account was closed. The loan account was not an overdraft; it was a properly authorised Term Loan and Banagher Branch was not in breach of any Irish Red Cross policies as Mr. Wardick has suggested.

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### Financial Accounts of the Society

In relation to the Financial Accounts of the Society, Mr. Wardick continues to insist that there is a question over the integrity of these Accounts;

The facts are as follows;

- Since it was founded in 1939, the practice of the Society has been to publish annual audited accounts for its Head Office activities only. The Society's accounts are clearly labelled as the accounts of the IRC Head Office. The published financial statements specifically state in the accounting policies section; 'Branch, Area Accounts and Region Accounts are not consolidated in the Head Office Financial Statements'. The 2010 Annual report contains extracts of the financial information reported in the Head Office Financial Statements and the statement from our Auditors BDO in the Annual Report (page 68) indicates clearly that they are in fact an extract from the Audited Head Office accounts. There can be no doubt that our published accounts relate only to the Head Office activities of the Irish Red Cross.
- These Head Office Accounts have been signed off by our Auditors BDO every year as a "true and fair view" - there has never been any qualification of that statement.
- We are now preparing to present our 2011 consolidated financial statements which will include all Area and Branch finance reporting

**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.** There is no such evidence—they have signed our accounts as a "true and fair" view. **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 "unconditionally and absolutely".** Mr Wardick is referring to the Auditors' management letters which, by their nature, are intended to point to Accounting practices and procedures that need improvement going forward. He seems to misconstrue this as some statement about the integrity of our accounts. **Perhaps BDO could be asked to substantiate and confirm that they are unconditionally and absolutely satisfied with the Society's accounts.** Mr. Wardick does not seem to understand the essence of an Audit report; they have been asked for such confirmation each year as part of their Audit process and have duly confirmed that these accounts are a "true and fair" view. At no point have they seen fit to qualify that statement.

Mr. Wardick insists that there is a breach of standard accounting practice for Charities. **"NW-(in reference to my denial that the Society is in breach of standard accounting practices for charities)—"A shocking untrue statement by Mr. Forde".** There is no substance to Mr Wardick's criticism in this respect. There is simply no grounds to criticise or question the integrity of IRCs Published accounts or its compliance with the GAAP Practice and Principles under which the accounts are prepared. The Society to date has prepared its accounts under GAAP and not under the Statement of Recommended Practice (SORP) which is recommended in the new Charities legislation. Mr. Wardick seems to suggest that IRC accounts are prepared under SORP by reference to a note that was inserted in the 2008, 2009 and 2010 accounts (*"This is at variance with the Statement of Recommended practice (SORP) 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"*). This is a forward looking note and this was included as IRC has made a commitment to adopt SORP in its entirety and felt it appropriate to clarify the implications of that commitment for the treatment of property assets into the future. Elsewhere, Mr. Wardick acknowledges in his submission that the Society does not use SORP and yet he has made the above statement which is completely without foundation.



### **Haiti Funds**

Mr. Wardick continues to insist that the IRC diverted €600,000 of monies that were intended for Haiti to a domestic fund that is used for administration and general overheads.

**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.**

**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 2012.**

We have already stated that this is absolutely untrue and have given detailed evidence of the Fundraising practices of the IRC, which are in keeping with best practice amongst all other Irish Charities and in line with the practices of the British, Belgian, French and other Red Cross National Societies. At the PAC hearing, we explained that our unattributable donors are systematically challenged to establish their wishes or preferences and monies that remain unattributable to a specific cause are then allocated to an Unrestricted Fund. We explained that this fund is used for many different purposes, not just administration and general overheads. We stated that these unattributable funds amounted to circa €500k in 2010 and represented an increment of circa €200k/€250k over the general level that would be expected in a typical year. This increment had been generated at a time when we were running a number of different appeals. All this completely undermines any suggestion that €600k was "unethically and immorally" diverted.

Mr. Wardick makes the following statement in his submission.

**NW: Accordingly 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. Wardick is familiar with these figures and must know that the amount of €3,626,523 relates to the total of all Unrestricted income that was raised by the Society in 2010. This includes our Grant in Aid, gross Commercial income, and Branch contributions. Within this figure, Unrestricted fundraising accounts for circa €1.7 million and Unattributable income is a subset of this again at €500k. This is the figure that Mr. Ryan gave to the Committee members at the hearing and can be readily verified.

Of this €500k, €410k was received in the first 5 months of the year; again the specific monthly figures are available for review. Contrast this total of €410k with Mr Wardick's statement below.

**NW: During the first few months of 2012 immediately following the catastrophic Haiti Earthquake in January 2012 the following amounts of money received from the general public were allocated to the IRC General Fund (domestic):**

<b>January 2010:</b>	<b>€330,160.98</b>
<b>February 2010:</b>	<b>€193,254.08</b>
<b>March 2010:</b>	<b>€116,985.83</b>
<b>April 2010:</b>	<b>€68,976.23</b>
<b>May 2010:</b>	<b>€33,360.03</b>
<b>TOTAL:</b>	<b>€742,737.15</b>

We can see no context whatsoever for these numbers and Mr. Wardick's figures are simply wrong and misleading. They seem to be a complete fabrication and have no meaning for us. We stand over all the numbers that were given by Mr. Ryan at the PAC hearing and they can be supported with reference to our records. We are very happy to share them with the Accounting Officer if that is helpful.

All of these records will validate every dimension of the evidence that was given to the Committee. The surge in our unattributable donations was of the order of €200k/€250k in 2010 and this through a time when we had a number of different appeals underway and despite ongoing efforts to establish the donors' specific wishes for his/her gift.

Mr. Wardick goes on to make a series of statements about the use which is made of our Unrestricted monies, which he calls our General Fund. He insists that this is used only for Domestic overheads and administration.

**NW: The IRC General Fund is a domestic ONLY Account.**

**NW: 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.**

**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.**

**NW: 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.**

**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.**

For the record the Society used its Unrestricted fund to support the following in 2010:-

- Youth Programmes and related direct staff costs
- Community Services Programmes and related direct staff costs
- Provision of Training Programmes for First Aid and Emergency Activities and related direct staff Costs



- Contributions to the work of the International Federation and International Committee of the Red Cross
- Contributions to International Activities – 150k through the course of 2010
- Governance Costs
- Fundraising Activities to raise Restricted and Unrestricted Donations
- All other indirect costs such as Secretariat, Finance, Legal and Professional to support the programmes listed above and the international activities

These constant statements by Mr. Wardick that Unrestricted funds are spent on administration and overhead costs are simply inaccurate and misleading.

Mr. Wardick then goes on to suggest that a legacy donation was misallocated from the Haiti Fund to Unrestricted funds.

**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.**

The facts are that the Irish Red Cross did receive a legacy of €193k on the 21<sup>st</sup> of January and this was given to the Irish Red Cross with no restrictions. This bequest was executed long before Haiti ever happened. This is not misallocated or does not warrant any investigation, it is in fact Mr. Wardick's allegation that is misleading and inaccurate. The Irish Red Cross has a letter from the deceased's Solicitor if verification of this fact is required. The treatment of all other bequests received throughout 2010 can be validated by the Irish Red Cross through the Solicitors letters that are kept on file.

Once again this allegation is made without any evidence to support it and is simply untrue.

#### **Property Assets of the Society**

We have provided the Committee with a full schedule of our Property Assets and I have stated that those properties on that list that are owned or part-owned by the IRC Head Office are properly reflected in our published Head Office Accounts. All other IRC owned properties will be reflected in the 2011 Consolidated Accounts when they are published. I have explained that this follows a recent project to establish a full and complete record of all properties that are held by the Society. I have also explained that it was the absence of such complete records that gave rise to the notes which were introduced by the Society into the annual accounts of 2008, 2009 and 2010, indicating a doubt that all properties were properly recorded.

In my evidence I stated "In light of that (recently completed) full information, the property assets relating to the Head Office have been properly recorded in the accounts at all times"

Mr. Wardick refuses to accept this and justifies his statement by reference to the property notes which were introduced by the Society as mentioned above.



**NW: Mr. Forde's evidence on properties is at complete variance and totally contradictory with the signed off audited accounts of the IRC.** He seems to miss the central point of my evidence. I have stated that notwithstanding the past notes which were introduced at a time when the Society did not have full information on its property assets, we can now say, with the benefit of full and complete records, that the numbers in the Balance Sheet relating to property assets were in fact correct at all times through 2008, 2009 and 2010. These Balance Sheets numbers reflected the acquisition value of all the relevant properties on the books of the Head office. Mr Wardick makes reference to the insured values of unrecorded properties and offers this as some contradictory evidence; this is an unrelated issue and refers to their replacement value for insurance purposes rather than their acquisition value.

There is no misrepresentation in the evidence we have given to the PAC in relation to our Property assets. We now have complete records and in light of those records, we can state factually that the property assets of the IRC Head Office have been appropriately reflected in the published accounts through the past number of years, in a manner that is consistent with GAAP. Property assets on the books of our branches will be reflected in the 2011 Consolidated accounts.

#### **New Constitution and Governance Reform**

The new Draft Constitution of the IRC has been in development since 2010. A special Working Group was set up and chaired by former President, Roger Downer of the University of Limerick and which included a former Secretary General, John Roycroft and volunteers which represented the older and younger membership of the Society. I joined that Group when I was appointed, as the most senior staff member, and personally ensured that we were taking staff views on board. The Vice Chairman was one of the eight members and has been a balanced and proportionate contributor to the process. After frequent review and discussion within the specially formed Working Group, the proposed Constitutional text was shared with the members of the Central Council at a special meeting in March 2011. As a follow up process they were requested to share the draft text with their Area and Branch members, review the proposals and to revert with feedback and comments before May 2011. It was in May 2011 that the Minister's letter relating to Governance was brought to the attention of the Governance Working Group. In response, changes were introduced relating to rotation, which were subsequently recommended to the Central Council members. The revised text was then shared with the Joint Statutes Commission of the International Movement in Geneva and their feedback was taken on board. As recently as last weekend there was a further review of the proposed text at a meeting of the Central Council and the terms were unanimously approved. The new Constitution is ready for implementation and we are awaiting the enactment of the relevant Statutory Order.

This process is described in the following terms by Mr Wardick:

**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.**

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.

**NW:** 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, closing and controlled by a dominant and over controlling leadership of no more than three or four individuals.

**NW:** 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.

Additionally Mr. Wardick comments on the following exchange:

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 extreme and exceptional circumstance where no alternative candidate is available, the Council obviously reserves the right to reconsider the mandatory break requirement.

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.

The clause to which he refers was in an earlier draft and was removed in August last year. There is no such clause in the new Constitutional text and Mr. Wardick’s allegation of a “false and inaccurate statement “is again without any foundation.

These many statements are sometimes contradictory, (as underlined) and grossly inaccurate. Perhaps more significantly they highlight a complete unwillingness on the part of Mr. Wardick to acknowledge the Change process that is taking place in the Irish Red Cross Society and point to a regrettable prejudice in all matters that involve the Vice Chairman.



These are not the only statements that question the integrity of IRC personnel. As another example we would highlight the following reference to the question of an investigation into the Tipperary Account incident:

**NW: 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."**

Mr. Ted Noonan as acting Chairman in 2010 actually ordered an independent investigation of the Tipperary Account to be launched. Mr Noonan's order was documented in a memo sent to all branches. His decision was in fact subsequently overturned by the Board at a meeting chaired by the new incoming Chairman. His memo is available for review if necessary and indicates clearly that Mr Wardick's statement is once again inaccurate and untrue.

### **Summary**

In summary, Mr. Wardick's submission is characterised by repeated inaccuracies and groundless allegations. Given the need to respond immediately to such a misleading document, we have only been able to address some of these inaccuracies at this early stage. However it serves to make the point that "facts" presented by Mr Wardick do not stand up to scrutiny. This may have relevance for his many comments on the Tipperary Account incident. Many of these cannot be verified by reference to the formal records of the Society. Mr Wardick insists that we should accept his account of these events as evidence of what really happened. I believe the Committee will understand why we consider it is appropriate to take a more cautious and questioning approach and to rely only on the formal records of the Society and the published Report of the Investigation Team as a basis for any conclusions that should be drawn.

I would appreciate if this letter could be copied to all the members of the PAC and also published on your website if you see fit to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Donal Forde', with a stylized, cursive script.

**Donal Forde,  
Secretary General.**