

**Opening statement to the Committee on Public Accounts**  
**by Kieran Timmins, Chairman of the Central Remedial Clinic**  
**Thursday 3 July 2014**

Chairperson and Members of the Committee, thank you for the invitation to attend today's meeting to discuss the "*Report of the Interim Administrator Appointed by the HSE to the CRC and Friends and Supporters of the CRC Ltd*"

I would like to introduce my colleague who is with me today - Ms Stephanie Manahan, the new CEO of the Central Remedial Clinic.

As you are aware, The Central Remedial Clinic (CRC), Friends and Supporters of the Central Remedial Clinic (F&S), the Care Trust, Central Remedial Clinic Medical Devices Ltd are all mentioned in the report. I would point out that they are all separate legal entities. I am here today as Chair of one of those entities – albeit closely intertwined with the others - and will be primarily addressing the issues in relation to the CRC but will touch upon the other entities as far as I can. The standing and relationship between all of these legal entities is currently the subject of discussion and consideration between the boards concerned.

The new board of the CRC received Mr Cregan's report on Thursday 19 June and considered the report at its meeting of the following day.

For me as the new chairman of a new board (and I hope the Committee would agree with this) the report is clear, fact-based and helpful. To summarize, the following emerges:

- there is no question but that the competence, professionalism and care provided by staff is of the highest quality;
- there are sound financial systems;
- CRC delivered on its services arrangement obligations;
- there are no apparent obstacles in place to the HSE and CRC entering into similar arrangements for the foreseeable future;

but

- governance did not meet modern standards;
- and the report reveals that the board did not follow the commitment it gave to the HSE on the remuneration and appointment of senior executives.

The root of its problems, and the reason we all find ourselves here today, was in relation to the application of *Public Pay and CEO Recruitment Policies* at the CRC. As stated in the report, whether deliberately or unintentionally

‘In relation to the application of *Public Pay and CEO Recruitment Policies* the CRC, notwithstanding its 2009 commitment to the HSE, approved a series of appointments to the Executive Team without consulting the HSE; and the CRC artificially divided senior management and administrative salaries into two categories – Agreed HSE and Private CRC and used the artificial split of the salaries to facilitate the avoidance by senior staff of the full impact of public sector pay cuts’.

‘There was no ambiguity around the need, under the service arrangement, to obtain the HSE’s approval to the filling of a senior management position. It is difficult not to conclude that the board knowingly ignored the terms of the service arrangement and its commitment to the HSE in 2009’.

This was facilitated by a number of undesirable governance practices where members and board members served several companies in several different capacities and the distinctions between companies and their boards may have been allowed to become blurred.

We cannot change the past but we can put measures in place to ensure that this could never happen again. The new board is here to support Stephanie Manahan in leading the organisation in her role as CEO. Together, we are determined to drive a culture of good practices, ensure good policies are in place and above all ensure transparency and accountability. And why: it is to underpin the delivery of quality services to all of our clients and service users and to establish comprehensive engagement with all our stakeholders.

I am more than happy to return to this Committee to provide further updates or for any member of the Committee to contact me with any queries you may have in the future.

What we hope to do today is to give you, the Committee, a sense of the steps we have taken and an action plan. Some of the issues facing us – particularly those concerning individuals – will require further expert advice before final decision making.

## **Governance**

A new board of governors of the Central Remedial Clinic is now in place. The new board is competency-based. By this I mean that each individual member has been identified and selected on the basis of that individual member's skills, expertise and experience drawn from relevant disciplines and different industry sectors. The current composition of the board is on our website. I say the current composition because the board is committed to continually examining its needs versus its skill set and will consider appointing new members as required. We are also examining ways of letting our clients and staff get more involved in providing input to the board. The board has set up the following work groups / committees:

- a remuneration committee charged with ensuring that the remuneration for senior members of the CRC is open, fair and transparent;
- an audit committee charged with oversight of financial reporting and disclosure;
- a committee on fundraising governance, structures and best practices;
- a working group to review the current Memorandum and Articles of Association with a view to bringing them into line with current legislation and best practices. Areas such as term limits for board members (to allow new blood to be constantly added to the board, bringing with them fresh ideas and challenging existing practices).

Following an open and transparent recruitment process, using the Public Appointments Service, Ms Manahan has been appointed Chief Executive, with effect from 1 June. Ms Manahan has extensive experience in the health sector both in the UK and Ireland and was most recently Deputy Hospital Manager at James Connolly Memorial Hospital.

Ms Manahan has been employed on a salary €86,761 which is the second point in the scale approved by the HSE. Other than normal documented and receipted travel expenses, there are no additional allowances.

### **Fundraising, Friends and Supporters and the Care Trust**

Part of the findings and criticism in Mr Cregan's report is the amount of crossover between the various boards of CRC, F&S and CRC Medical Devices. F&S, as a separate legal entity now has a separate and independent board, chaired by Tom Quinn. Tom is also on the board of CRC but I believe this is prudent. Tom excuses himself from meetings when discussing any area where there would be a conflict of interest, real or perceived.

As part of their deliberations, the F&S board, recently wrote to me and informed me that it had resolved that:

- its 50% Shareholding in The Care Trust Limited be transferred with immediate effect to the Central Remedial Clinic;
- all revenues accruing to Friends and Supporters from the Care Trust Limited from a current date be paid direct to the Central Remedial Clinic;
- and that it was requesting its legal advisers to prepare all the necessary legal documentation to give effect to these resolutions.

This offer is being considered by the relevant subcommittee of the full CRC board and will subsequently be considered by that board. I would add that I welcome the general thrust of these resolutions. In addition, we have asked our audit committee to meet with our auditors E&Y to understand how we best reflect the relationship between CRC and F&S in our 2013 books so that anyone who examines the accounts of CRC will be immediately made aware of the existence of F&S.

As part of our committee on fundraising governance, structures and best practices - and the current separation of the two boards - we are in the interim implementing a process by which funds can only be drawn down on foot of an agreed and approved, business case, signed off by *both* boards.

In the meantime, the CRC board has resolved that, as an additional layer of transparency, *all* donations raised, by the CRC themselves, in 2014 be put in a separate bank account and that those funds can only be accessed on foot of two of the three authorised (board level) signatories.

We are committed to full transparency and accountability so that all our funding partners like the HSE and our donors can see how all monies are spent.

## **CRC Medical Devices**

CRC Medical Devices is a subsidiary of F&S and since the resignations in December has no directors. I understand that F&S is in the process of appointing directors to allow it to regularise legalities surrounding the company and pay off outstanding invoices and wind the company down in an orderly fashion.

## **Executive and senior administrative pay arrangements**

I trust the Committee will appreciate that there are several constraints to my going into this matter in any great detail at this time, however, I would like to make the following comments:

- **On payments to former CEO - Mr Paul Kiely**

While it is the intention of the board to write to Mr Kiely about the report's finding, the calculations of payments to the former CEO are complex and require careful consideration and legal advice prior to any decisions on how to proceed. Issues such as implementation of FEMPI (Croke Park and/or Haddington Road) on the full salary, calculation of severance payments, retirement age and other matters all need to be looked at prior to any contact with Mr Kiely.

- **On other executive and senior administrative pay arrangements**

The new board is determined that all salaries and appointments will be at levels consistent and agreed with the HSE. A small number of senior management pay levels are outside the approved HSE scales. Mr Cregan's report has recommended that these salaries be "red circled" until 2015 to allow some limited time for the new board and CEO to review management structures, job descriptions and executive pay arrangements. We feel this is appropriate as it gives us time to develop a new strategic plan for the CRC for 2015 and beyond. We already know that the current management structure has to change as key gaps need to be filled and a number of retirements will take place in 2015.

## **Conclusion**

From our early beginnings in 1951 to today, the CRC has grown to be one of the largest organisations in Ireland dedicated to the wellbeing and health of people with physical disabilities. The legacy issues we are discussing today were not of the making of the staff. They were caused by governance issues at the top of the organization. The staff at the CRC continue to provide our clients with the services they need, and deserve, in the professional manner they have come to expect.

This concludes my opening statement.

Thank you.

**Ends**