



24th October 2011

Mr. John Mc Guinness, TD
Chairman,
Public Accounts Committee,
Leinster House,
Dublin 2.

Re: Irish Red Cross/PAC Hearing 13th October 2011

Dear Chairman,

In the course of the PAC Hearing on 13th October 2011 the Secretary General of the Department of Defence, Mr. Michael Howard, seemed unsure if allegations concerning the Irish Red Cross misusing publicly donated monies for domestic purposes when they were intended for international disasters had been brought to the attention of his Department. Deputy Michael McCarthy repeatedly questioned Mr. Howard on this matter as did you Mr. Chairman.

Initially Mr. Howard stated "*...I do not believe it was brought to the Department's attention specifically. That is my honest belief right now, but I am not 100% certain*". Mr. Howard committed to checking this and confirming the situation for the PAC.

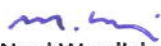
I would like to take this opportunity to state categorically that the matter was specifically brought to the Department's attention by me in correspondence dated 30th November 2010 and submitted to the Minister for Defence at the time, Mr. Tony Killeen, TD. In this correspondence I make specific reference to correspondence I had sent to the Irish Red Cross Chairman, Mr. David O' Callaghan, in which I outline in detail the issue of misusing money intended for international disaster response. A copy of this letter was included for the Minister's information and action. As such I was very surprised that Mr. Howard could not recollect such a very serious allegation being made to his Department.

My letter of 30th November 2010 to the Minister which contained attachments outlining information on the misuse of funds intended for international appeals was not responded to by the Minister or his representatives.

I have enclosed for the PAC's information a copy of my letter of 30th November 2010 addressed to Minister of Defence, Mr. Tony Killeen, TD and the attachments included with it (7th November 2010 letter to Irish Red Cross Chairman-David O' Callaghan, 15th November 2010 letter to Mr. Michael Costello-Head of Audit, BDO and 1st November 2010 letter to Minister of Defence-Mr. Tony Killeen).

It is important to note that issues around misuse of international appeals money at the Irish Red Cross have been raised by the Irish media and others as far back as the early 1990s and the Department of Defence would have been fully aware of these and other issues throughout this time.

Yours sincerely,


Noel Wardick
12 Conquer Hill Avenue,
Clontarf,
Dublin 3
087-6909184

30th November 2010

Mr. Tony Killeen,
Minister of Defence,
Parkgate,
Department of Defence,
Infirmary Road,
Dublin 7.

Re: Irish Red Cross and previous correspondence

Dear Minister,

Reference my letter to you dated 1st November 2010. To date I have received no response from you. This is disappointing.

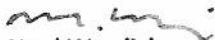
It was good, however, to meet you on 24th November 2010 in the Dail while I was there meeting other people. I appreciate you taking a few minutes of your time to talk to me especially as our meeting was unplanned and unexpected. We clearly have different views on the role and obligations of the Irish Government vis a vis the Irish Red Cross. I enclose again a copy of my letter to you of 1st November 2010. My concerns regarding governance, management and financial irregularities at the Irish Red Cross as well as the use of tax payers' money remain undiminished and as expressed to you in previous correspondence.

I also enclose the following correspondence for your information and knowledge:

1. Letter from me to Mr. Michael Costello, Partner-Head of Audit, BDO (External Auditors to Irish Red Cross), dated 15th November 2010.
2. Letter from me to Irish Red Cross Chairman, Mr. David. J. O'Callaghan, re Irish Red Cross General Fund and misallocation of monies raised for overseas Appeals, dated 7th November 2010.

The Irish Government must seriously consider reversing its policy of non-intervention in the Irish Red Cross when clearly it is legally entitled to do so, it is already deeply involved by virtue of its appointment of sixteen Irish Red Cross board members and the Chairman, it has a permanent presence on the Irish Red Cross Executive Committee and it provides an annual grant-in-aid of €951,000 to the Society. Calls from Labour and Fine Gael as well as Transparency International for an independent investigation into the Irish Red Cross cannot be ignored indefinitely.

Yours sincerely,



Noel Wardick

Former Head of International Department (Irish Red Cross)

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7th November 2010

Mr. David J. O' Callaghan,
Chairman,
Irish Red Cross,
16 Merrion Square,
Dublin 2.

Re: Irish Red Cross General Fund and misallocation of monies raised for overseas Appeals

Dear Mr. O' Callaghan,

Reference my previous letters to you on a range of important issues. I note you have neither responded to nor acknowledged receipt of them. This is a professional courtesy I would have expected but then again as an employee of the Irish Red Cross for the last five years and knowing the organisation and its culture as I do perhaps such a courtesy was asking too much.

The purpose of my latest correspondence is to bring to your attention a matter of the utmost seriousness and one you may not be familiar with. It relates to the fact that the Irish Red Cross consciously and knowingly diverts money raised for overseas appeals to its domestic general fund. This is a practice which has gone on for years and one I have vigorously opposed during my time as an Irish Red Cross employee. Below I will try to explain how the Irish Red Cross does this and why it is fundamentally wrong.

When a large scale disaster occurs somewhere in the world the International Department, in conjunction with the Fundraising Department, will launch an appeal. This can involve a range of TV, radio and print media advertisements as well as radio and TV interviews (generally done by myself, and/or David Andrews, and occasionally the SecGen). As a result funds will start flowing into the organisation. The amount of money coming in will primarily be determined by the size and scale of the disaster and the level of media attention given to it. Thereafter the intensity of the Irish Red Cross advertisement campaign will be the main deciding factor in how much of the public's generosity goes to us. Once money starts arriving into the Irish Red Cross on the back of the Appeal the instructions to staff have always been that when a member of the public or donor does not specifically mention that their donation is for the Appeal in question then the money is to be allocated, not to the Appeal, but instead to General Donations (domestic). It is very important to understand Mr. O' Callaghan that in response to a large scale disaster and subsequent Irish Red Cross advertising for an Appeal hundreds of thousands of Euros is donated by the Irish public for that appeal but thousands of donors do not specifically say at the time 'my donation is for, say, Haiti'. It is presumed by the member of the public or the donor that we know and accept that their donation is 100% intended for the Appeal in question on the basis that there has been a massive disaster somewhere in the world and the Irish Red Cross has launched a nationwide Appeal in relation to that disaster. As such thousands of people do not specifically state their donation is for the Appeal as they presume this is clearly understood. And it is clearly understood by Irish Red Cross staff but the Irish Red Cross leadership has determined that unless the member of public specifically states the money is for the Appeal then the money is NOT to go to the Appeal but rather goes to the General Fund which is only used for domestic expenses. The Irish Red Cross leadership therefore uses international disasters, the resultant suffering and hardship of hundreds of thousands of innocent men, women and children and the trust and generosity of the Irish public to raise money, not for the disaster Appeal in question, but for the General Fund. They allocate money raised to the General Fund in the full knowledge that the person intended the money for the Appeal but because the person did not 'specifically' say so Irish Red Cross then takes advantage of this 'oversight' by the

member of the public and assigns the money to the General Fund, where much of it will go on solicitor fees, barrister fees, media consultant fees, human resource consultant fees, finance consultant fees and web consultant fees as well as other domestic expenses. This disgraceful shameful practice has been a source of much disagreement and anger between professional staff and the organisation's leaders. Despite previous and current Secretary Generals knowing about and overseeing this system they were either powerless or unwilling to stop it.

The fact that the Irish Red Cross purposefully and knowingly allocates public money to expenses and activities contrary to the intention and wishes of the member of the public is in my view morally reprehensible and must be stopped immediately. Over the years I would suggest that millions of Euros intended by the Irish public to go towards overseas disaster appeals never left Irish shores and were used to prop up and fund domestic expenses. Any independent examination of the General Fund (domestic) account over the last twenty years will clearly show a huge surge in income coinciding with Irish Red Cross appeals for international disasters.

The most recent example of the above practice occurred in the first few months of 2010. In January a massive earthquake hit Haiti with the loss of over 250,000 lives and the near decimation of the capital city, Port-au-Prince. The Irish Red Cross immediately launched a Haiti Appeal and successfully raised just over €3 million. Or more accurately just over €3 million was allocated to the appeal but substantially more was donated by the Irish public. Hundreds of thousands of Euros intended by the public to go to the Haiti Appeal were in fact allocated to the domestic General Fund. During the weeks that followed the Haiti earthquake I spoke to the Acting Secretary General, Declan O'Sullivan, and expressed in the strongest possible terms my disgust that the practice described above was once again in operation and that hundreds of thousands of Euros intended for Haiti were being intentionally misallocated. I also spoke with the Head of Finance and the Acting Head of Fundraising, who seemed powerless and fearful about dealing with the issue. It is my belief that approximately €600,000 donated by the Irish public and intended for Haiti has been intentionally and incorrectly allocated to the domestic General Fund for 2010. If correct this would imply nearly 20% of the Haiti fund has been erroneously and knowingly allocated to domestic activity.

I have no doubt Mr. O' Callaghan, that as we come to the end of 2010, the Acting Secretary General and the Vice Chairman will in all likelihood report to you that the General Fund (domestic) has seen a sizeable increase in income during 2010 and that the organisation's deficit in 2010 will be much less than the self inflicted deficits of 2008 and 2009. Should they report to you in such a manner please know that the total income for the General Fund contains around €600,000 (if not more) that should immediately be returned to the Haiti fund and spent on life saving and recovery operations in that traumatised country. I think if you remove over €600,000 from the General Fund the self congratulations of the Irish Red Cross leadership on a job well done closing the domestic deficit will ring very hollow indeed.

I encourage you to check the income figures for the General Fund month by month in 2010 and you will see a clear and direct link with the surges in General Fund income and the Haiti Appeal. You will see that during the height of the Haiti disaster and the intense media coverage and the Irish Red Cross Haiti Appeal, from January to April, hundreds of thousands of Euros was allocated to the General Fund. The amount of money allocated is multiples of normal General Fund activity (and particularly so in January and February when fundraising income is traditionally very low). There is no acceptable moral basis for the Irish Red Cross to allocate money in this manner. It is a flagrant and deliberate abuse of the public's trust and confidence in us to honour their wishes.

Figures that I was given as part of my Head of International /senior manager role a number of months back show that allocations of money to the General Fund in the first few months of the year were as follows:

- January 2010: €330,160
- February 2010: €193,254
- March 2010: €116,985
- April 2010: €68,976

The above surge in income in the General Fund coincides exactly with the surge in income donated for the Haiti Appeal. Please note that the Irish Red Cross General Fund would never receive such large amounts of money on a normal basis. The only explanation is that money intended for Haiti was allocated to the General Fund (domestic). The gradual month by month fall off also mirrors the pattern of Haiti fund income fall off. By May 2010 income allocated to the General Fund was in the region of €35,000. By May 2010 income for the Haiti Appeal had also tapered off substantially. The Haiti Appeal is just one example. As I mentioned earlier any independent examination of the General Fund over the last two decades will see large surges in income at exactly the same time as specific international emergency appeals. The Irish Red Cross leadership has intentionally and wilfully used overseas disaster appeals to fund domestic activities and expenditures despite knowing full well the money was intended by the public for other purposes. It is and remains a shameful indictment on the Irish Red Cross that this practice continues. I can only hope that under your Chairmanship that it stops and stops immediately.

Yours sincerely,



Noel Wardick

Head of International (suspended)

Irish Red Cross

087-6909184

12 Conquer Hill Avenue,
Clontarf,
Dublin 3.

15th November 2010

Mr. Michael Costello,
Partner-Head of Audit,
BDO,
Beaux Lane House,
Mercer Street Lower,
Dublin 2.

Colm

Private and Confidential

Re: Irish Red Cross

Dear Mr. Costello,

My name is Noel Wardick and from October 2005 until 10th November 2010 I was the Head of the International Department of the Irish Red Cross. On 10th November 2010 I was dismissed from the Irish Red Cross, ostensibly for 'gross misconduct' but in reality for whistleblowing on extensive misgovernance, mismanagement, negligence and financial irregularities within the Society. I write to BDO as you are the external auditors of the Irish Red Cross.

As Irish Red Cross has been a client of BDO for a number of years I trust you have been following the non-stop media coverage on the Irish Red Cross over the last fifteen months or so. This has been particularly intense in the last six months and included a damning exposé on the Irish Red Cross on RTE's Prime Time on 26th August 2010. The media reporting has focused on a range of issues from financial irregularities to incompetence to cronyism.

During my time working with the Irish Red Cross I regularly raised matters of serious concern with my supervisors (various Secretary Generals) and with the two Chairmen that have been in place during these years. Nothing was done and in December 2009 I started writing a blog which outlines in extensive detail the nature and depth of the problems within the Irish Red Cross. This blog can be found at <http://governancereformatirishredcross.blogspot.com>

Regarding matters that I believe are of specific relevance to BDO I would outline them as follows:

1. *Procurement and purchasing of assets and services. In particular the selection of consultants and legal advisers appears to take place in the complete absence of any advertisements or tendering/recruitment processes. I would also have concerns historically about the detailed involvement of individual board members in the procurement of assets, something that in my view crosses the line between governance and management/operations.*
2. *The Tipperary Branch Tsunami Bank Account. This issue has been extensively covered in the media including a front page story in the Sunday Times in July of this year. As you probably know this bank account contained over €162,000 collected in early 2005 which was intended for the victims of the late 2004 Asian Tsunami. This account was never declared by the Tipperary account signatories to Head Office in their returns of 2005, 2006 and 2007. The money was also not forwarded to the International Department as it should have been in 2005. The account was only discovered in late 2008 following a secret internal audit. No investigation took place at the time despite a number of people requesting one take place, including myself. Jennifer Bulbulia, the Honorary Secretary and board member at the time, resigned citing one of her reasons as the organisation's refusal to investigate this affair.*

Following huge media and political pressure the Irish Red Cross announced in September 2010 that an independent accounting firm, Mazars, would be hired to examine the matter. In October 2010 Irish Red Cross cancelled the independent investigation, saying an internal review would instead take place. This move was severely criticised by both media and politicians. Any objective observer would seriously question the real reasons behind this decision. Fine Gael stated in the Dail any internal review "simply wouldn't be credible".

3. The practice, to which I have consistently objected to, during international disaster appeals of allocating a significant amount of income to the domestic general fund when it is known that the public intended the money to go towards the international disaster appeal. See attached letter which I sent to the new Irish Red Cross Chairman, David J. O' Callaghan, on this matter.
4. The failure by the Irish Red Cross to properly and accurately account for its large property portfolio. Irish Red Cross has insured its properties for €7 million according to the 2009 accounts. In both 2008 and 2009 (and possibly other years as well) BDO has clearly stated in the accounts that Irish Red Cross has failed to record its properties on its books and as a result it is at variance with Standard Accounting Practice for Charities. In 2008 BDO said the Irish Red Cross was working towards correcting this. In 2009 BDO said exactly the same thing. How can this be acceptable? Irish Red Cross members have no information on where these properties are, who is living in them, who is using them, the type of buildings and/or land they are, is there any rental income, if so where is it being paid to as there is no rental income in Irish Red Cross accounts etc etc. The practice of not recording properties on its accounts has gone on for decades at the Irish Red Cross.

If it is possible and if the audited accounts of the Irish Red Cross are publicly available I would be obliged if you could forward me copies for the years 2004, 2005, 2006, 2007, 2008 and 2009.

I will conclude by saying that during my five years with the Irish Red Cross, and even though the interaction was limited, I always found BDO staff to be most courteous and friendly.

Yours sincerely,


Noel Wardick

12 Conquer Hill Avenue
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1st November 2010

Mr. Tony Killeen,
Minister of Defence,
Parkgate,
Department of Defence,
Infirmary Road,
Dublin 7.

Re: Irish Red Cross

Dear Minister,

I write to you directly to take issue with your continued stance, as stated on RTE's Prime Time program of 26th August 2010, RTE's Marian Finucane radio program of 31st October 2010 and repeatedly in Dail Eireann in response to numerous Parliamentary Questions, that you are somehow prohibited from intervening directly into the administrative, financial or operational matters of the Irish Red Cross. This position would appear to me to be at total variance with the Red Cross Act 1938 which states as follows:

Establishment of Red Cross Society

Section 1 (2): The Government may by the establishment order make provision in relation to all or any of the following matters, that is to say:-

- a) The powers of the Society
- b) The organisation of the Society
- c) The management and administration of the affairs of the Society by a governing body
- d) The delegation to such governing body of the power to make rules for the Society
- e) The holding of annual and other meetings of the Society
- f) The finances and accounts of the Society
- g) Any other matters in relation to the Society in respect of which it appears to the Government desirable and proper that provision should be made

Clearly points c), f) and g) provide for the possibility of direct intervention by the Minister and Department of Defence, intervention that in my view is urgently required so that the serious problems facing the Society are addressed.

In addition to the above the following points are facts:

1. The Minister of Defence nominates the Chairperson of the Irish Red Cross
2. The Minister of Defence nominates sixteen board members out of a total of 41 on the Irish Red Cross Central Council
3. The Minister of Defence has a permanent representative from his Department on the Executive Committee of the Irish Red Cross. Currently David Lawler serves in this role.
4. The Department of Defence gives the Irish Red Cross nearly €1 million of tax payers money annually.

The position of the Department of Defence that it cannot intervene in matters pertaining to the Irish Red Cross is entirely contradicted by the above four points, which clearly demonstrate an extensive involvement by the Department in the governance and operations of the Irish Red Cross.

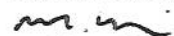
Furthermore, the Department of Defence representative on the Executive Committee of the Irish Red Cross, Mr. David Lawler, has been appointed as the 'Administrator' of my disciplinary process. As you know I have been suspended from work since 3rd August 2010 and a disciplinary process has been underway during the intervening period. Minister, if your position of non involvement is to hold up to any scrutiny perhaps you would afford me the courtesy of explaining to me why Mr. Lawler, who is your representative, is the 'Administrator' in the disciplinary process of a senior manager of the Irish Red Cross? Surely a greater example of day to day involvement by the Department of Defence in the affairs of the Irish Red Cross there could not be. As Mr. Lawler is your representative Minister this implies that the 'Administrator' in my disciplinary process is in effect the Minister of Defence.

If the Department of Defence deems it appropriate to be part of the disciplinary process of an Irish Red Cross employee then I fail to see how this can be reconciled with your oft stated position of 'non-involvement'. Also Minister if you, via your representative Mr. Lawler, are prepared to be part of a disciplinary case involving an Irish Red Cross employee I would request that you also consider intervening in other extremely serious matters pertaining to the Irish Red Cross, such as misgovernance, abuse of power, mismanagement, harassment of staff and very questionable financial practices. You will be aware that all these issues have been highlighted in writing to the Department of Defence by a number of people, and not just myself, over the last twenty years.

Should you decide Minister to intervene directly in the Irish Red Cross, something that I believe is required on a temporary basis, and only on a temporary basis, in order to correct the organisation's deep failings, I would request that the recent decision to cancel the independent investigation into the Tipperary bank account be reversed. The decision to cancel the independent investigation only three weeks after the Irish Red Cross announced it, in favour of an internal review, has shocked many and done terrible damage to the organisation's credibility. Should an independent investigation ultimately go ahead I would suggest that its terms of reference be considerably widened to include governance issues, staff treatment, procurement of assets such as ambulances and uniforms, allocation of funds from appeals/general donations and financial and banking procedures and practices. Specific issues to be considered and examined, although not exhaustive, include the consignment of beef received by the Irish Red Cross from one of Ireland's leading beef exporters circa the late nineties and the current unacceptable situation regarding Irish Red Cross's property portfolio. The organisation's external auditors, BDO, stated in 2008 and again in 2009 "Properties given for use by 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 'Accounting by 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". It is thought the insured value of Irish Red Cross's property portfolio is €7 million. It is deeply worrying that little or no information is available on this very valuable portfolio for Central Council members, Executive Committee members, general membership or staff.

I will conclude by drawing your attention to the recent investigation carried out by the South Korean National Assembly (Parliament) into the use of funds by the Korean Red Cross Society in Haiti where a number of deficiencies were discovered and reported on. I am not aware that either the IFRC or ICRC has in any way objected to the decision of the Korean National Assembly to investigate its own national Red Cross Society.

Yours sincerely,



Noel Wardick

Head of International Department (suspended), Irish Red Cross