



16<sup>th</sup> November 2011

Mr. Alan Shatter,  
Minister for Justice, Defence and Equality,  
Department of Defence,  
Station Road,  
Newbridge,  
Co. Kildare.

**Re: Parliamentary Questions regarding Irish Red Cross, 9<sup>th</sup> November 2011**

Dear Minister,

Reference your answers to Parliamentary Questions on the Irish Red Cross dated 9<sup>th</sup> November 2011. Please see comments as follows:

In your response to Deputy Finian Mc Grath's questions 153,154 and 155 re governance and length of service you stated:

*I did so as I am of the opinion that it is not conducive to good corporate governance that any individual should serve indefinitely on the Central Council or the Executive Committee, or in the same appointment*

While the above statement is most welcome it is entirely unclear to me why you have continually contradicted this view by supporting the Irish Red Cross governance reform proposals which will allow for members to serve for life on its Central Council, its highest deliberative authority. This, as you will be aware, is in breach of all recognised good corporate governance practice.

It is also important to note on record that the Irish Red Cross governance reform proposals that you regularly refer to are not yet in force and will not be in force until such time as the Joint IFRC/ICRC Committee on Statutes approves the proposals (by no means guaranteed) and until such time as the Irish Government amends legislation to give them effect. As such the governance rules which currently apply to the Irish Red Cross allow for life service on both the Central Council and Executive Committee. This is clearly in breach of good governance practice. The proposed reforms make little headway in addressing this core issue.

In your response Minister to Deputy McGrath you have given the impression that the three year "mandatory" break from the Executive Committee is now in place and activated. This is not the case and as such your ambiguous statements on the matter are wide open to misinterpretation. I believe it is therefore important, in the event of future PQs on the matter, to clarify this situation and expressly state that under existing Irish Red Cross governance rules members can serve for life on the Central Committee and Executive Committee and under the proposed rules members will be allowed serve for life on the Central Council, all of which breach good governance practice.

In relation to the new governance proposals there is no indicative date or timeframe for their approval by the ICRC/IFRC and/or legislation from the Government. I think it's safe to assume that neither will be forthcoming in the near future.

In relation to the three year "mandatory" break proposed for Executive Committee members I have previously written to you to explain that this break is only mandatory if another member runs for the position. If no other member is nominated for the position then a member who has served for six years (2 terms) may continue to serve for a third term and again for a fourth term if no-one else is

nominated and so on. In designing the Irish Red Cross governance reform proposals the overarching objective has been to ensure existing long serving members can continue to serve indefinitely. I remind you that the governance reform process has been underway within the Irish Red Cross for nearly fifteen years now and to-date not one change has been effected.

It is deeply disappointing that the new Government, which had raised hopes that reform would top its agenda, has now openly endorsed a set of governance proposals that, by any independent assessment, would be deemed a breach of good governance practice.

The reality at the Irish Red Cross is that the Vice Chairman was re-appointed for the 21<sup>st</sup> year in a row as national Vice Chairman in May 2011 as the only nominee. His appointment is in breach of the Irish Red Cross's own governance reform proposals, which supposedly aspire to having members only serve six years. The national Treasurer who has served for ten years on the Executive was re-appointed to the Executive, again as the only nominee. Under the governance reform proposals which you have endorsed Minister, both the national Vice Chairman and national Treasurer will be able to serve in their current positions for at least another six years and possibly much longer bringing their respective service to a minimum of 27 years and 16 years. It is quite staggering that an Irish Government committed to reform would support and endorse such flawed and unacceptable practices.

In response to Deputy McGrath's question 157 concerning the misallocation of overseas appeal funds to cover domestic expenses you stated:

*The Irish Red Cross Order 1939, which established the Society in Ireland, does not make any provision for the Government to intervene in the day to day administration of the Society. Furthermore, there is an obligation on Governments to protect the independence of national Red Cross organisations.*

I have previously documented in correspondence to the Department of Defence that its stated position that the Government of the day cannot intervene in the day to day affairs of the Irish Red Cross is factually incorrect. Under the legislation establishing the Society the Government is fully entitled to intervene in the day to day affairs of the Society up to and including its administrative and financial matters. The Department's reluctance to do this has been a contributing factor to the malaise and endless crises that exist at the Irish Red Cross.

I agree with you Minister that independence is one of the principles of the Red Cross Red Crescent Movement. Governments do have an obligation to respect this. Equally they have an obligation to do everything in their power to protect the good name and reputation of their national Red Cross Society as well as the emblem of the Red Cross. The leadership of the Irish Red Cross have, over an extended period of time, brought great shame and humiliation on the Society because of extreme misgovernance, misuse of resources and financial irregularities. The Government, its representative on the Irish Red Cross board and the sixteen government appointees including the Chairman, all have a responsibility to address these matters. To date they have largely failed to do so (with a few notable exceptions).

I know from my own contacts within IFRC and ICRC that their respective headquarters in Geneva would have no objection whatsoever to a temporary but decisive intervention by the Irish Government that once and for all addressed the endemic problems at the Irish Red Cross and removed those responsible. The never ending scandals within the Irish Red Cross have been problematic for the IFRC and ICRC for nearly twenty years now. Rest assured there would be joy and relief in Geneva should the Irish government intervene on a short term basis and rectify the problems and hold to account those guilty of serious wrongdoing and negligence.



I have previously brought to your Department's attention the fact that in 2010 the South Korean National Parliament formally investigated the South Korean national Red Cross Society following allegations of misuse of donor money intended for use in the Haiti earthquake. The Society was severely reprimanded and those responsible dealt with. This was an effective and welcome direct intervention by a national Government into its national Red Cross Society, the objective of which was to ensure that the integrity and well being of donor funding was protected. There was no objection whatsoever from the IFRC or ICRC in Geneva.

As part of your response to Deputy Mc Grath's question 157 you further stated:

*My Department was made aware of allegations relating to the misallocation of funds by the Irish Red Cross Society particularly in relation to the Haiti appeal through correspondence dated 30<sup>th</sup> November 2010*

I am glad you have been able to confirm that your Department was made aware of this allegation nearly a year ago. At the Public Accounts Committee (PAC) Hearing on 13<sup>th</sup> October 2011 the Secretary General of your Department, Mr. Michael Howard, appeared to have great difficulty recalling any such allegation being made. While I accept Mr. Howard is probably a busy man I find it worrisome in the extreme that an allegation involving the misuse of hundreds of thousands of Euros at an organisation that receives substantial annual funding from the Department of Defence could be so easily and quickly forgotten.

You continued in your response to question 157:

*....My Department is also aware that the Chairman of the Society has strongly refuted the allegations and that the Society's external auditors found the allegations to be groundless*

I would like to point out that the Chairman of the Society, Mr. David O' Callaghan, became Chairman of the Irish Red Cross in September/October 2010, many months after the misallocation of hundreds of thousands of Euros intended for the Haiti Appeal. At the time of the misallocation I was the Head of the International Department at the Society and I objected in the strongest possible terms to the reprehensible practice of knowingly and wilfully misallocating such monies to domestic expenses, a practise that has gone on for decades at the Irish Red Cross. With the greatest respect to Mr. O' Callaghan I do not believe he is in any position to refute such allegations, not having been there at the time. I would respectfully suggest I am far better placed to state what did and did not happen. I fully stand over my allegations and have informed the Public Accounts Committee I would welcome the opportunity to come before them and defend these and other allegations on public record.

In relation to the Society's auditors you state "*...and the Society's auditors found the allegations to be groundless*".

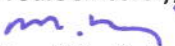
As you are fully aware Minister the Irish Red Cross is in major breach of its own internal 'Rules of the Society' in that in its 72 year history it has failed to ever have a full independent external organisational wide audit. This is so incredible that it beggars belief. I have informed your Department of this in previous correspondence. BDO has been hired annually for the past eleven years to audit the Irish Red Cross head office and head office only. No-one has ever audited the branches, areas or regions. As such millions and millions of Euros in the Society go unaudited every year. It is deeply misrepresentative to imply that BDO audits the full Society and that there exists a full organisational wide set of audited accounts. No such accounts exist and never have.

In relation to the Haiti funds and the practise employed by the Irish Red Cross I have repeatedly said the practise was not illegal but morally unacceptable. If it was illegal rest assured I would have reported the matter to the Garda Fraud Bureau of Investigation. Knowingly, however, taking advantage of loopholes and purposely misallocating vast sums of monies that were known to be intended for other purposes is an absolute scandal. Sadly because of a lack of regulation within the charity sector this practise is not illegal. I am sure you will agree Minister that not everything in life that is wrong is legislated for. Thousands of members of the general public have been badly misled by the Irish Red Cross. The auditors can comment on the legality or illegality of the practise but no more. The fact that what happened is plain and simply wrong does not fall within the remit of any auditor. As such the auditors, BDO, are not in a position to state whether the allegation is groundless or not as I have never questioned the legality of the practise. Also given that all the cheques have long since been cashed and submitted to the banks I seriously question how exactly the auditors came to their conclusion that the allegation was groundless.

I will conclude by noting Minister that you have afforded the Irish Red Cross Chairman and Secretary General the opportunity to meet with you and refute allegations concerning matters and incidents that happened many months and years before they were involved with the Society. You seem to have accepted their views. You have never, however, afforded me the opportunity to meet with you or your officials nor have you ever asked me to attend a meeting to explain myself. It is unfortunate that you have decided to only listen to one side on this matter and as such you will have been given an extremely inaccurate version of events.

As mentioned above you stated on the 9<sup>th</sup> November that the Chairman of the Society, Mr. O' Callaghan, refuted the allegations. This is the same individual who, immediately upon his commencement as Chairman of the Irish Red Cross, cancelled the previously announced independent investigation into the Tipperary undeclared tsunami bank account in favour of an internal review. This decision was derided in the media and I remind you that your ministerial colleague, Mr. Jimmy Deenihan, stated in the Dail at the time "*that any internal review simply wouldn't be credible*". Mr. O' Callaghan was also Secretary General of the Department of Defence during another very turbulent and troubled period in Irish Red Cross's history and the record of the Department at the time in relation to the Society is one largely of indifference and inaction.

Perhaps it is time Minister to consider listening and engaging with the other side of the story.

Yours sincerely,  
  
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Cc: Chairman, Oireachtas Public Accounts Committee