



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

Internal Audit Directorate,
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Tel No: 603 8900
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Mr Joe O'Flynn,
General Secretary,
SIPTU,
Liberty Hall,
Dublin 1

19th April 2011.

Re: SIPTU report

Dear Mr O'Flynn,

I refer to Mr Sean McGrath's correspondence dated 18th April.

As Mr McGrath indicated in his correspondence HSE has reviewed your recently published report (the SIPTU report) and there are a number of points of clarification in the report with which the HSE now requires your assistance.

As the PAC will, very shortly, be resuming its deliberations on this matter HSE would appreciate if the points of clarification set out in this letter could be addressed urgently.

I appreciate that the work conducted by the trustees was a most difficult and painstaking task, however from the perspective of the HSE, the report does not adequately piece together key elements of the financial income and expenditure which we believe are crucial to understand fully the activities of this account. These issues are listed below.

1. The report does not provide a list of the main categories of expenditure (including the total amount disbursed under each category) making up the expenditure from the account, as previously requested by the HSE. This full list of expenditure items with the total amount disbursed under each category is essential in order to adequately account to the Public Accounts Committee for monies disbursed from the public funds provided to the account.
2. Your report identifies that total expenditure from the bank account amounted to €3,896,374 (Section 11.1).

While the report refers to a total amount of expenditure for some items, it does not provide totals for other items for example the DOHC Consultant (Section 11.5), Bank Drafts (Section 12) and educational support grants (Section 15).

It is also noted that while a total expenditure figure for Shop Steward Training is not stated, the report states that 13,000 training days were provided (Section 11.3) at an "average cost of less than €300 per training day (Section 11.4).

This would indicate total expenditure of €3.9m on shop steward training. I would appreciate if you can confirm if this interpretation is correct.

Therefore, subject to clarification of the shop steward training interpretation, the figures as quoted in the report would indicate total expenditure in excess of €5,236,299 as follows:

<u>Total amounts quoted in report:</u>		
Sec 11.6	Alan Smith	€13,530
Sec 13	Payments to Unions	€335,876
Sec 14	Charitable Donations	€35,000
Sec 16	Payments to Cheque signatory	€12,893
Sec 17	Promotional products (more than)	€250,000
Sec 18	Foreign Travel	€542,000
Sec 19	Food and Accommodation (excl travel)	€147,000
TOTAL per actual amounts stated in report		€1,336,299
<u>No total amount stated but individual components of expenditure stated</u>		
Sec 11.3/4	Shop Steward Training 13,000 training days (sec 11.3) x €300 per training day (sec 11.4).	€3,900,000
TOTAL per figures quoted in Report		€5,236,299
<u>No amounts stated in report</u>		
Sec 11.5	DOHC Consultant	€not stated
Sec 12	Bank Drafts	€not stated
Sec 15	educational support grants	€not stated
OVERALL Total Expenditure		In excess of €5,236,299

As Section 11.1 states that the total expenditure was €3,896,374 the individual figures contained in the report, as set out above, would indicate an additional €1.340m in expenditure than reported in section 11.1 of your report.

It is perhaps possible that the wording in your report referring to the training days and the cost per training day needs to be clarified. I would appreciate your clarification on this matter and the other items referred to in this section.

3. The report shows significant differences in payments to unions than the information available to HSE suggests. I have set out this detail below:
 - Your report shows amounts paid to other unions (ATGWU €15k and INO - €85k). These amounts are less than amounts refunded by those unions to HSE (€20k and €127k respectively) in late 2010.
 - Your report shows amounts paid to IMPACT (€124k). This is more than amounts refunded by IMPACT to HSE (€113k) in late 2010.
 - Your report does not show amounts paid to IMO. The IMO refunded €15,000 to HSE in late 2010.

- Your report shows amounts paid to other unions (PNA €25k, TEEU €20,000.) Can you advise what were these payments in respect of?
- Your report shows amounts paid to SIPTU (€41,258). Has SIPTU Finance division confirmed receipt of these amounts and that this represents the totality of funds received from the account. I would appreciate this confirmation as SIPTU did not make HSE aware of this when requested by HSE Internal Audit to provide details of any funds paid by the SIPTU National Health and Local Authority Levy Fund to SIPTU as part of the standard audit circularisation process during HSE's audit of HSNPF.

I would welcome your observations on these matters and confirmation that the figures as quoted in your report represent the full extent of all payments to unions as identified by your analysis.

4. Section 7 of your report deals with the Source of Funds and Section 8 deals with funds provided by the 'Office of Health Management (OHM) / HSE'.

Section 7 identifies the total funds received by the SIPTU account from OHM, HSE and HSNPF totalling €3.118m.

Section 8 lists various individual amounts however, I note that it does not include some monies paid to the fund (mainly from 2004) (four grants totalling €285,000 and two reimbursement of €2,819). Can the omission of these funds from the report be explained? Can you confirm that these funds were lodged to the account? I would appreciate if you could provide the list of all the grants provided by HSE/OHM/SKILL/HSNPF as identified by your analysis of the account's lodgements.

5. Section 20 lists personal expenditure and refunds by year starting in 2002.

Between 2002 and 2008 a total of €37,849 was refunded, with the average annual amount of refunds being €5,407. These lodgements significantly increased in 2009 and 2010 to €19,167 and €82,880 respectively.

I would appreciate if you would provide HSE with the list of all individuals who refunded money to the fund from 2002 onwards, analysed by year of refund. At a minimum in the first instance, please provide a listing of the persons who made the 2009 and 2010 refunds, as this will be the most readily available information.

6. The report also sets out a number of other issues regarding expenditure that also requires further clarity.
 - Section 12 headed 'Purchase of Bank Drafts' outlines that foreign establishments or foreign travel expenses were often paid through the purchase of foreign currency drafts. Can you state exactly how much was paid?
 - Section 15 of your report, does not state how much has been paid in total in Education Support Grants. Is this figure available?

- Section 17 does not state exactly how much was paid for promotional products (it does state 'more than €250,000'). Can you provide the exact figure?
 - Section 18 of the report (Foreign Trips/Study Visits) outlines costs totalling €542,000 were spent on travel cheques, travel costs and hotels but there is no breakdown of this expenditure and the details of trips or confirmation of the number or costs of trips are not identified. Can a list of all trips identified by you including the details of the costs of each trip (flights, hotels, meals, other), as identified by your analysis of the accounts transactions, be provided to the HSE?
 - Section 19 states that €302,000 was expended on credit cards from the fund between 2001 and 2010. This identifies significantly more payments, admittedly over a longer period, than previously notified to the HSE by the Mahon report (which identified that 2005 – 2008 credit card expenditure was €108,000). Accordingly can you provide a detailed analysis of this credit card expenditure?
7. In seeking to summarize the level of expenditure as per the details contained in various sections of your report I have outlined above individual amounts of stated expenditure totalling €1,336,299 and that there are significant expenditure items that have no monetary value attached to them (as above). Also, section 11 states that SIPTU conducted 13,000 training days at a cost of €300 per day for 5,000 employees. Can you state how many and from what union were the 5,000 employees, given that this was separate and distinct training than that provided by the SKILLS programme?

Therefore per above:

- total expenditure comprises €1,336,299 + €3,900,000 = €5,236,299
- plus unknown amounts spent on DOHC consultant, bank drafts and educational support grants.

As you can see from the above points, all these issues make it extremely difficult for HSE to understand and reconcile your findings and come to any accurate conclusions regarding the funding that went into the fund.

8. HSE understood that SIPTU had engaged its external auditors, Mazars, to identify and categorise the cheque payment and lodgement transactions on the account and to compile a report on the account. It is not clear from your report whether it is the Mazars' report. I would appreciate if you could confirm if your report is the Mazars' report and if it is not, if you would provide me with a copy of the Mazars' report. In addition, it would assist HSE significantly if you could provide the financial analysis and schedules of the lodgements and cheque payments compiled by Mazars on your behalf.
9. I wish to confirm that HSE Internal Audit function provided all the documentation to yourself as General Secretary of SIPTU relating to the SIPTU transactions. This documentation included all SIPTU invoices, all available correspondence between SIPTU and DOHC/OHM/SKILL, all OHM/SKILL internal documentation supporting payments and copies of all

returned paid cheques. To state in Section 8 of the report that SIPTU “did not have access to the records of the SKILL project office or to the paying department of the HSE” is not correct.

In addition, I wish to confirm that HSE Internal Audit met with your investigation accountant on 6th January 2011 and provided two lever arch folders of material and other documentation to further assist SIPTU with its analysis and categorisation of the account transactions.

10. I also note that your report states that the HSE Internal Audit report of 8th June 2010 acknowledges that invoices were submitted to the SKILL training officer totalling €348,211. This is not a correct interpretation of the Internal Audit report, which identified the inadequacy of the requests (invoices) from SIPTU for reimbursement of costs as claims for €243,362 were not itemized and the remainder €104,957 provided a single figure and that no detailed back-up was provided as would be expected with SIPTU’s invoices seeking payments from the SKILL office.

Given the serious issues outlined in your report on the expenditure of public money and given the fact that the HSE has funded a significant amount of this money, it is vital that SIPTU responds to the HSE, as the statutory body responsible for this funding. As you know, this issue is a matter of significant public concern and the Public Accounts Committee has requested the HSE to obtain full details of the expenditure of the public funds paid to the SIPTU account. I would appreciate your assistance and co-operation in this matter.

I have listed the information required in the schedule attached for your convenience. I would welcome an early reply on these queries. My colleague, Mr McGrath, and I are available to meet with you at your earliest convenience to discuss these queries and points of clarification with view to progressing matters speedily.

Yours sincerely,

Geraldine Smith
Assistant National Director-Internal Audit

cc:

Mr Cathal Magee, CEO, HSE

Mr Sean McGrath, National Director – HR, HSE

Mr Michael Flynn, National Director – Internal Audit, HSE

List of information/clarification required

1. List of expenditure items and total amount for each item
2. Clarification of shop steward training costs
3. Clarification of the difference identified between the total expenditure figure stated in the report and the sum of the individual amounts referred to throughout the report.
4.
 - i. Confirmation of amounts paid to Unions
 - ii. Confirmation that SIPTU Finance division has confirmed receipt of these amounts by SIPTU and that this represents the totality of funds received by SIPTU from the account
5.
 - i. confirmation that 2004 grants and reimbursements totalling €285,000 were lodged to account
 - ii. explanation why funds above omitted from report
 - iii. A list of all the grants provided by HSE/OHM/SKILL/HSNPF.
6. List of persons who made refunds to account analysed by year

At a minimum in the first instance, please provide a listing of the persons who made the 2009 and 2010 refunds, as this will be the most readily available information
7. Confirmation of amounts spent on bank drafts, DOHC consultant and Educational Support Grants
8. Confirmation of exact amount paid on promotional products
9. List of all trips including the details of the costs of each trip (flights, hotels, meals, other)
10. List of credit card expenditure.
11. Clarification on how many and from what union were the 5,000 employees to whom training was provided
 - i. Confirmation that SIPTU report is the Mazars report or if not, provide a copy of the Mazars Report
 - ii. The financial analysis and schedules of the lodgements and cheque payments compiled by Mazars.