



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

Public Accounts Committee

Thursday 3rd July 2014

Opening Statement

By

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Deputy Director General

Health Service Executive

Report of the Interim Administrator Appointed by the Health Service Executive to the Central Remedial Clinic and Friends and Supporters of the Central Remedial Clinic Limited

Good morning Chairman and Members of the Committee

Terms of Reference

The appointment of an Interim Administrator to the Central Remedial Clinic (CRC) and the Friends and Supporters of the CRC Limited (F&S) by the Director General of the HSE, on 16th December 2013, followed the resignation of the Board of Governors of the CRC and the resignation of all the Directors of the F&S on 13th December 2013.

The Interim Administrator's role had three strands and he confirmed to the Director General, in relation to those specific standards, that;

- *Service arrangement obligations have been met and there are no apparent obstacles to the HSE and CRC entering into similar arrangements for the foreseeable future;*
- *A competency based Board of Governors has been appointed and a CEO has been appointed by the new Board on the recommendation of the PAS following an open competitive process; and*
- *The CRC has sound systems of financial control in place and Legacy issues identified are confined to a small number of issues which have to be brought to a conclusion by the CRC* The CEO of the CRC had resigned with effect from 6th December 2013 and the Interim Administrator also carried out many of the duties normally performed by the CEO.

The appointment formally ended on 31st March 2014 and the final report was submitted to the Director General of the HSE in May 2014.

It is important to note that the HSE did not have concerns in relation to the quality of services or the quantum of services being delivered under the service arrangement.

The problems identified at the CRC related to governance and general compliance issues.

Approach of Interim Administrator

I must emphasise for the Committee that the Interim Administrator did not have any specific powers or legal standing. However, the exemplary cooperation forthcoming from staff at the CRC enabled him to fulfil the roles assigned to him in an effective manner.

The Interim Administrator was not appointed as an Inspector or Investigator and was not authorised to embark on a formal investigative process entailing the formal taking of evidence by way of interviews with a view to making any findings of wrongdoing. In the event of any wrongdoing being alleged, reported or suspected, it would have to be reported to the appropriate authority. The Interim Administrator did not find it necessary to refer any matter to any third party or authority. However, there were governance difficulties at the top of the organisation relating to certain practices, questionable procedures, wrong interpretations of compliance requirements and poor judgement.

Access was afforded to all available documents and records. The overall standard of record-keeping was good and the normal financial transactions in particular, were properly supported or vouched. There were some exceptions in the report which are referred.

Boardmatch Ireland was engaged to assist in the recruitment of a new Board of Governors for the CRC and a Board of Directors for F&S and the continuing members of the CRC and F&S cooperated fully in the appointment of the new Boards.

HSE Service Arrangements

In relation to the operation of Service Arrangements, it has been recommended that the HSE should assign operational responsibility for each of the larger non-statutory agencies to a designated HSE manager

Central Remedial Clinic (CRC)

The correspondence between the HSE and CRC Board on the application of public pay policy and related matters commenced in 2009 and continued until 2013 when all of the CRC Governors resigned. A full declaration of all pay arrangements has now been made to the HSE by the CRC and the revised administrative and governance arrangements in place will ensure good practice and compliance with public pay policy in the future.

It is still necessary to red-circle salaries in a small number of cases for further review and deliberation by the new Board but the use of an artificial split of the salaries by the CRC that facilitated the avoidance by senior staff of the full impact of public sector pay cuts has ended.

The former CEO, as the person charged with the executive responsibility for the administration of the CRC, would have been familiar with public pay policy and monies paid to him in excess of the properly calculated reduced rate for the period January 2010 to the date of his termination in June 2013 should be recovered.

Members of the PAC will be familiar with the broad terms of the former CEO's Termination Agreement as it was discussed by the PAC at its meeting on 16th January 2014. In the report major difficulties with the package, from an employer standpoint are identified.

There was no ambiguity around the need, under the service arrangement, to obtain the HSE's approval to the subsequent filling of the vacant CEO position in 2013. It is difficult not to conclude that the Board knowingly ignored the terms of the service arrangement and its 2009 commitment to the HSE when it proceeded with the appointment of a replacement CEO without HSE approval and offered a salary in excess of the approved pay scale.

Two defined benefit pension schemes are operated at the CRC - Voluntary Hospital Superannuation Scheme (VHSS) and the Central Remedial Clinic Pension and Death Benefit Plan (CRC Plan). The report states that, from an employer standpoint, the CRC has enjoyed substantial benefits from the VHSS arrangement.

The new Board now governs the CRC and it has assumed responsibility for its operations. The CRC Board and the new F&S Board are also reviewing company governance to ensure best practice in the future.

Related Undertakings

Undertakings related to the CRC, namely F&S, The Care Trust, and CRC Medical Devices Limited are referred to in the report. None of these undertakings is in receipt of public funds and they are not Section 38 (or Section 39) organisations. However, a number of *big ticket* items are referenced in the report which impacted on CRC finances and decision making. These items include forgiveness of loans to The Care Trust, an unsecured interest free long term loan of €3.000m to the CRC to assist in pension liabilities and a donation of €0.700m to the CRC to finance the termination agreement entered into with its CEO.

In relation to F&S, the HSE was not aware of the funds being accumulated by F&S. It is recommended that the current F&S functions should be transferred to the CRC Board as soon as is practicable and ultimately, the company should be wound up.

In the case of CRC Medical Devices Limited, it is recommended that the process of winding up that company in an orderly manner should proceed, preferably with the assistance of its Directors and Company Secretary.

The Care Trust has built a successful lottery for the benefit of the CRC, REHAB and the Mater Hospital and it has consistently generated significant funds for the benefit of the CRC. The Care Trust has its own governance arrangements and management structure. It is stated in the report that The Care Trust should be urged to go beyond the minimum company law requirements and publish more details of lottery proceeds and associated expenses.

Report Publication

The report of the Interim Administrator was accepted in full by the HSE and, since its publication on 19th June 2014 by the HSE, I understand the newly appointed Board of the CRC has met to develop a comprehensive plan of action to address legacy and other issues identified in the report.

The HSE will support the new Board and CEO in their efforts to restore confidence in the CRC as a charitable organisation delivering quality services.

The HSE is strongly committed to addressing all pertinent matters referenced in the report under the governance arrangements now in place.

Thank You