

**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**

May 2014

Memorandum

To: Mr. Tony O'Brien
Director General
HSE

Re: Central Remedial Clinic and Related Matters

I attach my report as Interim Administrator to the Central Remedial Clinic (CRC) and Friends and Supporters of the CRC.

In the context of the roles assigned to me to the Interim Administrator to the CRC, the following is the position:

- 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 no issues of concern, not dealt with or referred to elsewhere in my report, have been identified in the audit of the 2013 accounts. Legacy issues identified are confined to a small number of issues which have to be brought to a conclusion by the CRC (i.e. executive team structure and pay in 2015 or earlier and the full application of public sector pay cuts to the former CEO). Some general comments and observations are made to assist the Board throughout the report.

I have concluded that the only rationale for the establishment of Friends and Supporters of the CRC, as a company separate from the CRC, was the maximisation of the HSE funding of CRC services – the inference drawn being that if the HSE had been aware of the level of funds available, it may have reduced its annual allocation to the CRC. It will now be a matter for the Boards of the CRC and Friends and Supporters of the CRC to ensure that funds raised for the benefit of the CRC by The Care Trust are channelled directly to the CRC and, secondly, for the funds that have been accumulated to be properly and efficiently invested in CRC services and infrastructure. The current Friends and Supporters of the CRC functions should be transferred to the CRC Board as soon as is practicable and, ultimately, the company should be wound up.

The CRC and Friends and Supporters of the CRC Boards are committed to conducting business in an open and transparent manner and recognise that this approach is required if public confidence in the CRC and the wider charity sector is to be regained. The CRC Board, in cooperation with Friends and Supporters of the CRC

Board and The Care Trust, must be able to demonstrate how funds provided to the CRC are utilised and give a breakdown of how every euro paid into the lottery is spent. The Care Trust should, therefore, be urged to go beyond the minimum company law requirements and publish more details of lottery proceeds and a full analysis of associated expenses.

The process of winding up CRC Medical Devices is proceeding.

Some suggestions are made for the attention of the HSE in relation to the general operation of the service arrangements/agreements, in particular the usefulness of audited accounts in the absence of more sophisticated costing systems and the replacement of multiple arrangements/agreements for national organisations with a single arrangement/agreement.

The past six months have proved to be a traumatic time for the staff at the CRC but the appointment of new Boards and a CEO should pave the way towards a re-invigorated CRC. The difficulties faced by all concerned should not be underestimated but, they are dwarfed in comparison with the challenges faced by many of the CRC's clients and their families in carrying out the normal tasks of daily living.



John Cregan
16th May 2014

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Abbreviations, Acronyms and Definitions

Boardmatch	Boardmatch Ireland Limited
CRC	Central Remedial Clinic
CRC Plan	The Central Remedial Clinic Pension and Death Benefit Plan
CRC Medical Devices	Central Remedial Clinic Medical Devices Limited
ESS	European Seating Symposium
F&S	Friends and Supporters of the Central Remedial Clinic
FEMPI	Financial Emergency Measures in the Public Interest Acts
FOI	Freedom of Information
HSE	Health Service Executive
IPT	Irish Pensions Trust Limited
ODCE	Office of the Director of Corporate Enforcement
PAC	Public Accounts Committee
PAS	Public Appointments Service
Red Circle	A rate of pay above a norm or maximum for a position is red circled and the salary remains at its current level. Other employees' salaries, in normal circumstances, attract increases and, eventually, the market norm catches up with the red circled salary. However, in the case of the Central Remedial Clinic, the purpose of the recommended red-circling of salaries is to allow some limited time for the new Board and CEO to review management structures, job descriptions and executive pay arrangements.
REHAB	The Rehab Group
The Care Trust	The Care Trust Limited
VFM	Value for Money
VHSS	Voluntary Hospital Superannuation Scheme
WTE	Whole Time Equivalent – Standard measure for employment control

Legislation

Companies Act, 1963

- Section 8 Modification of the *ultra vires* rule.
- Section 174 Directors

Gaming and Lotteries Act, 1956

- Section 28 Lottery licence

Health Act, 2004

- Section 7 Object and functions of the Executive.
- Section 38 Arrangements with service providers.
- Section 39 Assistance for certain bodies.

Companies Act, 1963

Modification of the *ultra vires* rule. 8.—(1) Any act or thing done by a company which if the company had been empowered to do the same would have been lawfully and effectively done, shall, notwithstanding that the company had no power to do such act or thing, be effective in favour of any person relying on such act or thing who is not shown to have been actually aware, at the time when he so relied thereon, that such act or thing was not within the powers of the company, but any director or officer of the company who was responsible for the doing by the company of such act or thing shall be liable to the company for any loss or damage suffered by the company in consequence thereof.

(2) The court may, on the application of any member or holder of debentures of a company, restrain such company from doing any act or thing which the company has no power to do.

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Companies Act, 1963

Directors. 174.—Every company shall have at least two directors.

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Gaming and Lotteries Act, 1956

Lottery licence. 28.—(1) The District Court may grant a licence for the promotion, during such period, not exceeding one year, as shall be specified in the licence, of periodical lotteries in accordance with this section.

(2) Each series of lotteries shall comply with the following conditions:—

(a) it shall be for some charitable or philanthropic purpose or purposes;

(b) the licensee shall derive no personal profit from it;

(c) the total value of the prizes on any occasion shall be not more than five hundred pounds, and, if more than one lottery is held in any week, the total value of the prizes for the week shall be not more than five hundred pounds;

(d) the value of each prize shall be stated on every ticket or coupon;

(e) not more than forty per cent. of the gross proceeds shall be utilised for the expenses of promotion, including commission, and any free entry for the lottery shall be deemed to be a payment of commission to the extent of its value.

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Health Act 2004

Object and functions of Executive.

7.—(1) The object of the Executive is to use the resources available to it in the most beneficial, effective and efficient manner to improve, promote and protect the health and welfare of the public.

(2) Subject to this Act, the Executive shall, to the extent practicable, further its object.

(5) In performing its functions, the Executive shall have regard to—

- (a) services provided by voluntary and other bodies that are similar or ancillary to the services the Executive is authorised to provide,
- (b) the need to co-operate with, and co-ordinate its activities with those of, other public authorities if the performance of their functions affects or could affect the health of the public,
- (c) the policies and objectives of the Government or any Minister of the Government to the extent that those policies and objectives may affect or relate to the functions of the Executive,
- (d) the resources, wherever originating, that are available to it for the purpose of performing its functions, and
- (e) the need to secure the most beneficial, effective and efficient use of those resources.

(8) Subject to this or any other enactment, the Executive has all powers necessary or expedient for it to perform its functions.

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Health Act 2004

Arrangements
with service
providers.

38.—(1) The Executive may, subject to its available resources and any directions issued by the Minister under *section 10*, enter, on such terms and conditions as it considers appropriate, into an arrangement with a person for the provision of a health or personal social service by that person on behalf of the Executive.

(2) Before entering into an arrangement under this section, the Executive shall determine, in respect of a financial year of the Executive, the maximum amount of funding (whether capital funding or non-capital funding) that it proposes to make available in that year under the arrangement and the level of service it expects to be provided for that funding.

(3) A service provider shall—

(a) keep, in such form as may be approved by the Executive in accordance with any general direction issued by the Minister, all proper and usual accounts and records of income received and expenditure incurred by it,

(b) submit such accounts annually for audit, and

(c) supply a copy of the audited accounts and the auditor's certificate and report on the accounts to the Executive within such period as may be specified by the Executive.

(4) The expenses of an audit of accounts submitted in accordance with *subsection (3)* are payable by the service provider submitting them for audit.

(5) The Executive may exempt from the requirements of *subsection (3)*—

(a) a service provider who in any one financial year receives from the Executive in respect of health and personal social services provided on behalf of the Executive a total sum that does not exceed the amount that may be determined by the Minister, or

(b) such other categories of service providers as may be specified by the Minister.

(6) The Executive may make such arrangements as it considers appropriate to monitor—

(a) the expenditure incurred in the provision of health or personal social services by service providers exempted under *subsection (5)*, and

(b) the provision of those services by such service providers.

(7) The Executive may request from a service provider any information that it considers material to the provision of a health or personal social service by the service provider.

(8) A service provider shall comply with a request made under *subsection (7)* to the service provider.

(9) At the Minister's request, the Executive shall supply the Minister with any information obtained in response to a request under *subsection (7)*.

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Health Act 2004

Assistance for certain bodies. 39.—(1) The Executive may, subject to any directions given by the Minister under section 10 and on such terms and conditions as it sees fit to impose, give assistance to any person or body that provides or proposes to provide a service similar or ancillary to a service that the Executive may provide.

(2) Assistance may be provided under this section in any of the following ways:

(a) by contributing to the expenses incurred by the person or body;

(b) by permitting the use by the person or body of premises maintained by the Executive and, where requisite, executing alterations and repairs to and supplying furniture and fittings for such premises;

(c) by providing premises (with all requisite furniture and fittings) for use by the person or body.

(3) Assistance may be provided to a person under this section whether or not the person is a service provider.

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Chapter 1 Executive Summary

A brief summary of the content of each chapter is set out below.

Chapter 2

The background and terms of reference in relation to the appointment of an Interim Administrator to the Central Remedial Clinic (CRC) and the Friends and Supporters of the CRC (F&S) are set out in Chapter 2.

The Interim Administrator's role had three strands:

- Ensuring continuity in the delivery of the full range of services to the clients of the CRC;
- Overseeing the restoration of good governance arrangements; and
- Identifying any legacy issues.

The Interim Administrator was, also, to carry out the duties normally performed by the CRC's Chief Executive Officer while that position remained vacant.

It is important to note that the problems identified at the CRC related to governance and general compliance issues.

Chapter 3

This chapter outlines the approach taken to fulfilling the terms of reference in circumstances where the Interim Administrator was not a statutory position and did not have the powers or protections normally afforded to an officer or employee of the company.

- Reliance was placed, in the first instance, on the available records. In relation to current compliance levels and the soundness of systems, procedures and processes, the situation as at 2013-2014 was assessed. The available and relevant records for the period 2009-2013 were examined to identify legacy issues in relation to board governance, pensions and general compliance issues.
- All CRC staff were advised of the appointment of the Interim Administrator and the establishment of an Interim Administrator's Office at the CRC. The level of cooperation provided by the current staff and others involved in this exercise was exemplary.
- Meetings were held with a variety of staff, clients and others, including the external auditors of the CRC, F&S and Central Remedial Clinic Medical Devices Limited (CRC Medical Devices).
- Meetings were held with the Actuary for *CRC Plan* and with Irish Pensions Trust (IPT) in relation to matters pertinent to operation of the private pension scheme and these are dealt with in some detail in this report.

- There was no engagement with the former Governors of the CRC or the Directors of F&S *per se* but, the continuing members of both companies cooperated fully in the appointment of the new Boards.
- Boardmatch Ireland Limited (Boardmatch) was engaged to assist in the recruitment of a new Board of Governors for the CRC and a Board of Directors for F&S.
- Independent legal advice was separately procured by the Interim Administrator and the provision of financial advice in relation to the wind-up of CRC Medical Devices was provided by financial advisers.

Conclusions are drawn on the basis of the best knowledge and belief of the Interim Administrator and recommendations are made in the best interest of ensuring a better future for the CRC and its related undertakings.

Chapter 4

The HSE's system of Service Arrangements/Agreements is discussed in Chapter 4.

The relationship between the HSE and the agencies funded to provide health and social services for or its behalf is continuing to evolve and, while there may be greater clarity on what services will be provided and at what price, some agencies may, in practice, over rely on their own interpretation of that relationship. The degree to which an agency can go its own way will, ultimately, depend on its reliance on public monies to deliver its services.

The Health Act 2004 provides the legal framework for the HSE to enter into arrangements or agreements. Since 2009 signed service arrangements and grant aid agreements are *de rigueur* in respect of the funding of agencies by the HSE and there is an acceptance of the need for and usefulness of arrangements/agreements. In 2014 further compliance requirements are being placed, in particular, on the boards of organisations entering into arrangements with the HSE.

In relation to the operation of arrangements/agreements, progress is still to be made in the following areas:

- Service arrangements/agreements do not always reflect the totality of the relationship between a service provider and the HSE.
- A system of funding based on specified outputs and prices is not yet in place and, pending the implementation of such a system, the audited annual accounts of agencies should be viewed by the HSE as a means of providing greater transparency in relation to the use of funds.
- Boards may consider that they have less discretion and are merely agents of the State implementing State controls. It is, therefore, vital that these boards, if they are to attract individuals with the right competencies and experience, can see themselves as having a meaningful role in shaping their organisations and contributing to future service development.

Chapter 5

Chapter 5 deals specifically with the CRC. The CRC is a national organisation responsible for providing a comprehensive range of services for adults and children with physical disabilities. The CRC is discussed under the following headings:

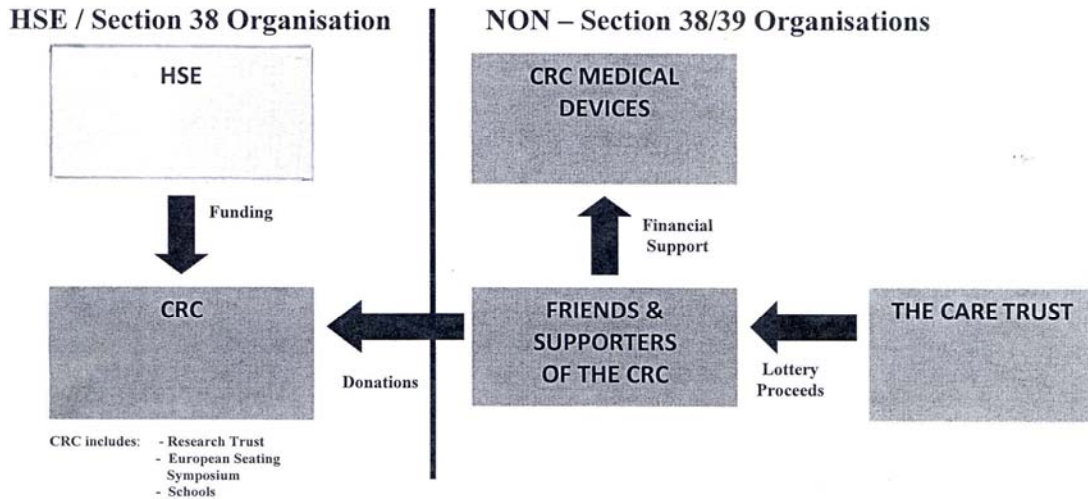
- Functions (5.1)
- Governance (5.2)
- Appointment of new Board of Governors (5.3)
- Finance (5.4)
- Staff Numbers and Pay Rates (5.5)
- Executive and Senior Administrative Pay Arrangements (5.6)
- Pensions – VHSS and CRC Plan (5.7)
- Application of Public Pay and CEO Recruitment Policies (5.8)
- Early Retirement and Declaration of Pensionable Salary (5.9)
- Former CEO Termination Agreement (5.10)
- Recruitment and Resignation of Replacement CEO -2013 (5.11)
- Other Issues - Credit Cards, ESS, Research Trust and Schools (5.12)

In the context of the roles assigned to the Interim Administrator, the following is the position in relation to the CRC:

- Service arrangement obligations have been met and there are no apparent obstacles to the HSE and CRC entering into similar arrangements in 2014;
- A competency based Board of Governors has been appointed and a CEO has been appointed by the new Board on the recommendation of the Public Appointments Service (PAS) following an open competitive process; and
- The CRC has sound systems of financial control in place and no issues of concern have been identified in the audit of the 2013 accounts. Legacy issues identified are confined to a small number of issues which have to be brought to a conclusion (i.e. executive team structure and pay in 2015 or earlier and the full application of public sector pay cuts to the former CEO) and some general comments and observations are made to assist the Board throughout the report.

Chapter 6

The CRC and its relationships with related undertakings are illustrated in this chapter. A number of undesirable governance practices are identified which are to be addressed by the Boards of CRC and F&S.



Chapter 7

This chapter deals with F&S. F&S is a company limited by guarantee and does not have a share capital. It has charitable status but it is not a Section 38 or Section 39 agency.

F&S owns 50% of the share capital of The Care Trust Limited, an operator of pools and lotteries for charitable purposes. Under the terms of the Articles of Association of The Care Trust Limited, the lottery income arising in that company that is attributable to F&S may only be used for the benefit of the CRC.

F&S owns 100% of the share capital of CRC Medical Devices. During 2013, an agreement was entered into for the disposal of the trade and certain assets of CRC Medical Devices. This agreement is currently under review by the new F&S Board. The new Board is already working on a range of issues and the Interim Administrator, in discussions with prospective Directors, advised that, in the light of the need to provide greater transparency in relation to all sources of funds available to the CRC, the role of F&S should change. The key tasks for F&S in the immediate future will continue to be the management of the investment fund and working with the CRC to ensure the timely release of funds for approved capital projects and services. Ultimately, the role of F&S may be transferred to the CRC Board.

A number of big ticket items were dealt with by the former F&S Board for which there was little or no narrative in the minutes. These items included forgiveness of loans made to The Care Trust; an unsecured interest free long term loan of €3.000m to the CRC to assist in financing that company's pension liabilities; repayment of €0.550m, on behalf of CRC Medical Devices, to the CRC in 2013; and a donation of €0.700m to CRC in 2013 to enable the CRC to finance the termination agreement entered into with its CEO. All these transactions are discussed in detail.

F&S had accumulated funds of €12.8m at the end 2013.

Chapter 8

Chapter 8 details the F&S relationship with CRC Medical Devices.

The principal activity of CRC Medical Devices was the distribution of mobility products within Ireland. The company had been accumulating losses and ceased trading in 2013. F&S owns 100% of the share capital of CRC Medical Devices since 2007.

CRC Medical Devices does not receive HSE funds and it does not have charitable status.

During 2013, an agreement was entered into for the disposal of the trade and certain assets of CRC Medical Devices. This agreement is currently under review by the Board of F&S.

All of the members of the Board of Directors of the company and the Company Secretary purported to resign on 13 December 2013. The company has an obligation under Section 174 of the Companies Act 1963 to have a minimum of two directors. The Interim Administrator did not have a role in relation to CRC Medical Devices but, for the purposes of providing clarity to its Directors, did request the company Auditors to bring to the attention of its Directors and Company Secretary their obligations and seek their assistance and participation in ensuring the orderly wind-up of the company.

The financial statements of the company for the year ended 31 December 2013 are not yet available and final losses cannot be quantified. In the final analysis, losses sustained by CRC Medical Devices will be a drain on F&S resources and on the funds raised for the benefit of the CRC.

Some senior managers at CRC did play a role in CRC Medical Devices operations with the knowledge and approval of the CRC CEO and Board. The CRC charged CRC Medical Devices *management team fees for the set up time spent on CRC Medical Devices* in 2007. An allowance continued to be paid to one CRC employee in respect of the employee's *involvement with Medical Devices Ltd*. The cost of that allowance and related employer PRSI and pension contributions was charged to CRC Medical Devices until November 2008.

The use of a CRC Medical Devices credit card by a CRC employee, even if transactions related to expenses incurred on behalf of CRC Medical Devices and were vouched, was not considered to be appropriate by the Interim Administrator.

Chapter 9

Chapter 9 describes the relationship and links between CRC, F&S and The Care Trust.

The Care Trust is an operator of pools and lotteries for charitable purposes. The lottery organised by The Care Trust is for the benefit the CRC, REHAB and the Mater Hospital. F&S owns 50% of the share capital of The Care Trust. The shareholding in The Care Trust was acquired by F&S in 1997 from the CRC. However, under the terms of The Care Trust's Memorandum and Articles of Association, the lottery income arising in The Care Trust that is attributable to F&S may only be used for the benefit of the CRC.

The resignation of the Board of F&S posed particular difficulties for The Care Trust as at least one F&S nominee is required for The Care Trust Board and its committees to conduct business. With the appointment of a new Board of Directors to F&S, it was possible for that Board to nominate two of its members for appointment as new Directors to The Care Trust in February 2014.

The Care Trust has charitable status but it is not a Section 38 or Section 39 agency.

The Care Trust publishes an abridged set of financial statements which meets Irish company law requirements.

The forgiveness of loans made to The Care Trust by F&S is discussed in Chapter 7. In 2013, F&S recorded lottery proceeds amounting to €1,7m from The Care Trust. It can be argued that, irrespective of who owns the shares in The Care Trust, the beneficiary (i.e. CRC) should receive the funds generated from the lottery directly from The Care Trust.

The Care Trust has built a successful lottery and has invested in an IT infrastructure to sustain its lottery operations into the future. It has consistently generated significant funds for the benefit of the CRC.

The Care Trust has its own governance arrangements and management structure.

Chapter 10

Chapter 10 contains some final comments.

The following is a summary of actions, conclusions and recommendations:

Summary of Actions taken by Interim Administrator:

- An internal CRC structure and related processes were established to deal with Freedom of Information (FOI) requests received by the CRC (Chapter 1).
- Assurance was provided to the HSE, at an early stage, to enable the continued release of funding and delivery of services (3.1).
- A process for appointing a competency-based CRC Board was established and work commenced on the establishment of a forum for the parents of children receiving services and a forum for adults receiving services. The new Board has assumed responsibility for CRC operations (5.3).
- The CRC had experienced a sharp reduction in the funds being raised from its fundraising activities and staff previously assigned to fundraising were redeployed to other roles within the CRC (5.4).
- A full declaration of all pay arrangements was made by the CRC to the HSE and the revised administrative and governance arrangements now in place will ensure good practice and compliance with public pay policy in the future. Through a combination of new appointments being made to consolidated

scales, the expiry of fixed term contracts in 2015, a retirement in 2015 and a review of duties it is necessary, at this stage, to red-circle salaries/arrangements in a small number of cases. Appropriate notes, for the attention of the new CEO, were made on all the individual HR files. In all the circumstances, the above represents a reasonable and proportionate approach which was accepted, on that basis, by the HSE (5.6).

- In the past, the CRC operated an *executive* payroll in addition to a *general* payroll. From 1st January 2014, all employees are paid through the general payroll and all payroll adjustments must, upon Board and/or CEO sanction, be implemented by HR in accordance with relevant HR and organisational policies and processed for payment through the single general payroll. These revised arrangements ensure a division of duties and appropriate checks and balances for the organisation. Pay arrangements do not include separate payments from any other source (5.6).
- A process was established to appoint a new F&S Board of Directors. The new Directors were appointed to the Board in February 2014 (7.2).

Summary of Conclusions of Interim Administrator:

- The Interim Administrator did not find it necessary to refer any matter to any third party or authority (3.1).
- The overall standard of record-keeping was good and the normal financial transactions, in particular, were properly supported or vouched, but there were some exceptions (3.2).
- The relocation of some files was concluded to be part of normal organisation of files and no sinister motive was ascribed to this action (3.2).
- In all the circumstances, it would appear that there is no basis for the Office of the Director of Corporate Enforcement (ODCE) being involved in the affairs of the CRC or its related undertakings (3.3).
- Further investment in developing systems and building capacity within both the agencies and the HSE is required if the *money to follow the patient* is to be implemented (4.5).
- The audited annual accounts of the CRC and F&S were available for scrutiny and could have provided a degree of transparency in relation to the use of funds and the identification of cash balances being accumulated (4.6).
- It should have been clear to the CRC from 2009 that the environment in which it operated had changed significantly and the maintenance of an attitude of provider independence could not prevail in the long run (4.6)
- If the funds of a company are used for a purpose outside the scope of the objects specified in the memorandum of association, any director or officer responsible for such use of funds is liable to the company for any loss suffered by the company and the members of a company can take actions

where a company acts or may act *ultra vires*. However, in the case of the CRC, it is difficult to envisage that a member or members of the company would take any action in relation to a Board decision as the members of the company were, also, Board Governors to December 2013 (5.1).

- The CRC operates within the HSE's Whole Time Equivalent (WTE) ceiling and, in future, reporting of WTEs, will show all employee numbers, irrespective of the funding source (5.5).
- In relation to pension schemes, any rudimentary comparison of the Voluntary Hospital Superannuation Scheme (VHSS) and the *Central Remedial Clinic Pension and Death Benefit Plan* (CRC Plan), from an employer standpoint, shows that the CRC has enjoyed substantial benefits from the VHSS arrangement (5.7).
- 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 (5.8)
- In relation to the former CEO's Termination Agreement and pension arrangements, the differences between the salary declared to the CRC Plan administrator for pension purposes, the correct salary as at June 2013 and the projected *age 62* salary have been brought to the attention of IPT, the administrator and the plan actuary. It is clear that the salary that forms the basis for pension and other calculations is, from an employer standpoint, overstated. However, on the basis of legal advice, it is not possible, in the current circumstances for the CRC to revisit the pension calculations already in train under the CRC Plan. In the event of the repayment or recovery of salary paid, it may then be possible to revalue the CRC Plan benefits (5.9).
- The CRC Board appeared to be more concerned about the company's independence and the attention that revealing the level of the CEO's remuneration would attract rather than the level of remuneration itself (5.10).
- The terms of the former CEO's *exit strategy*, as presented to the Chairman by the CEO in March 2013, were fully incorporated, without amendment, into the *Termination Agreement* approved by the Board. The elements of the *exit strategy* were the avoidance of the current CEO salary costs of €2.085m (2016-2019), payments to the retiring CEO of €0.741m (pension in the amount of €0.273m, Employer and Employee pension contributions of €0.268m and a once-off payment of €0.200m for loss of office) and meeting the costs of €0.977m for a replacement CEO. Having funded the payments to the retiring CEO and the replacement CEO, savings of €0.367m were to accrue to the CRC. However, calculations are based on an incorrect and overstated salary for the retiring CEO and the impact of the exit package on the funding of the CRC Plan was not factored into the calculations. The Board

accepted the net savings of €0.367m being generated over a six and a half year period (i.e. to November, 2019 when the CEO would have reached his normal retirement age of 65) as sufficient financial justification for the granting of the package in 2013. The retirement was, on the basis of all the documents available, voluntary and the resigning CEO was immediately appointed to the Board of Governors of the CRC. Given that the Haddington Road salary cut was imminent, time was on the side of the Board rather than the CEO in terms of fully exploring a range of options to secure the fairest deal for the CRC and the CEO (5.10).

- There is no doubt that the level of the CEO's remuneration, in the light of the previous correspondence and discussion with the HSE and the general hardening of public pay policy in a time of austerity, represented the most serious governance issue to be faced by the CRC's Board of Governors and, yet, they chose not to inform the HSE of the proposed retirement package. To add fuel to the fire of HSE discontent and further sour the relationship with its main funder, the Board of the CRC, in the undoubted knowledge of the commitments given to the HSE, proceeded to offer, without the prior approval of the HSE, the new CEO position to a former Board member (5.10).
- Credit card expenditure is kept to a minimum and the approval and vouching of credit card transactions is robust and sound (5.12.1).
- The acquisition of the ownership of the 50% shareholding in The Care Trust by F&S enabled the funds generated, through the lottery for the benefit of the CRC, to be accumulated and recorded separately from other funding sources, principally HSE funding. The HSE was not aware of the funds being accumulated and, technically, the CRC may not have been required to declare funds held by another company. However, the only rationale for the establishment of F&S was to maximise the HSE funding of CRC services – the inference drawn being that if the HSE had been aware of the level of funds available, it may have reduced its annual allocation to the CRC (7.4).
- The availability of and easy access to F&S accumulated funds may have coloured decision making by the Board of the CRC in relation to pay, pensions and other matters (7.4).
- Any organisation, with charitable status and relying on charitable funds to fund a commercial venture, should be aware of the increased risks to its funding base and reputation when it undertakes projects outside its core activity and competence. The risks are even greater if it is not clear to those donating that funds may be used for investments in such projects.

Summary of Recommendations by Interim Administrator:

- It may be prudent for the HSE to devise an alternative mechanism to the appointment of an Interim Administrator which might be incorporated in the service arrangements/agreements. The Charities Act, 2009 may be of assistance and provide options as it will be possible to appoint an Inspector to investigate the affairs of a charitable organisation (3.1). It would, also,

- have been preferable for the HSE and at least two CRC Governors to work together to transition to a new Board (5.3).
- The HSE should assign operational responsibility for each of the larger non-statutory agencies to a designated HSE manager (4.5).
 - The audited annual accounts of agencies should be routinely scrutinised (to ensure, for example, the identification of cash balances/deficits being accumulated (4.5).
 - The CRC should publish an annual report giving comprehensive details of the CRC activities, services, funds or fundraising sources (3.2)
 - The CRC has experienced a sharp reduction in the funds being raised from its fundraising activities and the new Board should, as an immediate priority, determine the CRC's future fundraising strategy (5.4).
 - In the case of any future appointments to the Executive Team, salaries should be fixed by reference to the appropriate consolidated scales and should not, in the case of management/executive grades, in any circumstances, be above the grade of the HSE Local Health Office Manager or equivalent (5.6).
 - While all required legal disclosures under the CRC Plan have been met, members of the CRC Plan did express concerns as to a lack of information on the rules of the plan and its operation. Members of this pension plan should, therefore, receive more regular updates from the CEO/HR/Administrator on the scheme (5.7).
 - Under public pay policy, a Section 38 organisation is not entitled to pay remuneration above a rate as reduced in accordance with that policy or any general agreement on pay – neither can an allowance be paid to compensate for a reduction in the pay rate. There is, also, an obligation, where payment above the reduced rate is made, to recover the amount overpaid from the employee either directly or by deduction from any remuneration subsequently payable or otherwise. The former CEO, as the person charged with the executive responsibility for the administration of the CRC, would have been familiar with a public pay policy diligently applied to other staff in the CRC and was the author of proposals to the Remuneration Committee on the implementation of pay policy and, on that basis, monies paid in excess of the properly calculated reduced rate for the period 01/01/2010 to date of termination in June 2013 should be recovered. In the event of these monies being repaid or otherwise recovered, then, depending on the manner of or conditions attaching to the repayment or recovery, it may then be possible to revalue the CRC Plan pension benefits (5.8).
 - On balance, it may be in the CRC's interest to allow the European Seating Symposium (ESS) to operate at arm's length, independent of the CRC. The CRC's future policy for the ESS should be considered by the new Board (5.12.2).

- The Research Trust provides educational and research opportunities for CRC staff. Ultimately, clients will benefit from higher quality or more efficiently delivered services and, on that basis, the current level of financial support should continue (5.12.3).
- Transactions, in excess of a threshold set by the CRC Board or of a type determined by the CRC Board, should be formally approved by the Board (5.13).
- Advice to the CRC Board regarding pensions, pension packages or other significant financial issues, should, preferably, be obtained from an independent source and the advice obtained and relied upon should be reviewed by the auditors as part of the audit (5.13).
- 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 (7.2)
- Given that in any year the number of F&S transactions is relatively small, a formal system of approval of all transactions in advance by the F&S Board should be implemented (7.4).
- The process of winding up CRC Medical Devices in an orderly manner should proceed, preferably with the assistance of the Directors and Company Secretary of that company (8.4).
- The Care Trust should furnish the CRC, as a beneficiary of the lottery, with an annual statement confirming amounts allocated and related calculations in relation to the disbursement of each year's lottery proceeds (9.4).

Summary of Actions Taken or Planned by new CRC Board:

- The candidate recommended by the Public Appointments Service (PAS) was appointed by the new CRC Board in April 2014 (3.3).
- The updating of CRC Strategic Plan has been identified by the new Board as a priority for 2014 (5.1).
- The new Board will be reviewing the Board member rotation policy as part of an overall review of its governance in 2014 (5.2).
- The inclusion of external members on Board committees will be examined by the new Board (5.2)
- The new Board's approach to the publication of the accounts will go beyond the strict requirements of Company Law and provide greater disclosure, particularly in relation to sources of funds and executive pay (5.4).
- The continuation of existing executive pay arrangements until 2015 will allow the new Board and CEO an opportunity to review the executive team and senior administrative structure, staffing and pay arrangements (5.6).

- CRC, IPT and the pension scheme administrator will examine the process for the future declaration of pensionable salaries by the CRC for the purposes of the CRC Plan (5.9)

Summary of joint actions planned by the new CRC and F&S Boards:

- The Boards of both the CRC and F&S are addressing the following practices in the context of their reviews of each company's governance in 2014 (Chapter 6):
 - the absence of an effective rotation policy;
 - the appropriateness of the CEO acting as the Company Secretary;
 - the appointment of current or past board members to a number of related boards;
 - an absence in formality in the approval and payment/transfer of monies between companies; and
 - non-publication (in hard copy or internet) of annual reports.
- It will be a matter for the CRC and F&S Boards to ensure that funds raised for the benefit of the CRC by The Care Trust are channelled directly to the CRC and for the funds that have been accumulated to be properly and efficiently invested in CRC services and infrastructure (7.4).
- The CRC and F&S Boards are committed to conducting business in an open and transparent manner and recognise that this approach is required if public confidence in the CRC and the wider charity sector is to be regained. The CRC Board, in cooperation with F&S Directors and The Care Trust, must be able to demonstrate how funds provided to the CRC are utilised and, more importantly, give a breakdown of how every euro paid into the lottery is spent. The Care Trust should, therefore, be urged to go beyond the minimum company law requirements and publish more details of lottery proceeds and a full analysis of associated expenses (9.4).

Chapter 2 Interim Administrator - Terms of Reference

The appointment of an Interim Administrator to the Central Remedial Clinic (CRC) and the Friends and Supporters of the CRC (F&S), with effect from 16th December 2014, was made by the Director General of the HSE in response to the resignation *en masse* of the Board of Governors of the CRC and the resignation of all the Directors of the F&S (See Appendices 1 and 2). The CEO of the CRC had already resigned with effect from 6th December 2013.

The Interim Administrator's role had three strands:

- Ensuring, in the first instance, continuity in the delivery of the full range of services to the clients of the CRC, fulfilling current Service Arrangement obligations and the conduct of the preparatory work for entering into a Service Arrangement with the HSE in 2014;
- Overseeing the restoration of good governance arrangements, including the appointment of a Board of Governors and CEO to the CRC and a Board of Directors to the F&S; and
- Identifying any legacy issues requiring the further attention of the CRC, F&S or the HSE, in particular, issues related to salary rates and compliance with public pay policy, pension schemes and pension payments and an assessment of the possible future financial impact of the contractual obligations of related undertakings.

The Interim Administrator was, also, to carry out the duties normally performed by the CRC's Chief Executive Officer while that position remained vacant.

The Interim Administrator's reporting relationship is to the Director General of the HSE who is, also, to be the recipient of this report. The HSE provided support to the Interim Administrator as required. The support of the HSE in the areas of communications and FOI was vital at the early stage of what was a very difficult period for the CRC. The CRC was inundated with media and FOI requests and did not have the structure or internal resources to cope with the volume and complexity of requests. The CRC had, for example, never previously received non-personal FOI requests and it was necessary, with the assistance of the HSE, to establish an FOI structure and related processes within the CRC.

The appointment of the Interim Administrator formally ended on 31st March 2014. However, support continued to be provided to the CRC after 31st March 2014 by the former Interim Administrator and the HSE at the invitation of the CRC and as required by the CRC.

The preparation of accounts and the external audit of the CRC, F&S and related undertakings were, also, expected to be completed before 31st March 2014. That being the case, the Interim Administrator was to submit a final report to the Director

General, outlining the position in relation to each of the above work strands and any other relevant matters, within two weeks of the termination of the appointment. (The first draft of the audited accounts is to be presented to the new Board's Audit Committee in June 2014)

It is important to note that the problems identified at the CRC related to governance and general compliance issues. Under the service arrangement, it is possible to deal with service related issues through various Section 38 Arrangement provisions which enable the HSE to take a range of actions (e.g. arrange for services to be provided by an alternative provider) to protect clients and ensure that services continue to be delivered. However, the HSE, in the case of the CRC, did not have concerns in relation to the quality of services or the quantum of services being delivered under the service arrangement - hence, the appointment of the Interim Administrator as a means of dealing with the governance and compliance related issues.

Chapter 3 Approach of Interim Administrator

3.1 Legal Standing

Unlike the Administrator appointed when a business goes into administration (examinership in Ireland) and continues to run its business and have the protection of the Courts from creditors, the Interim Administrator appointed by the HSE is not a statutory position. While the Interim Administrator did not have any specific powers or legal standing as an officer of the CRC, sufficient cooperation was forthcoming from staff at the CRC at a practical level to enable the role assigned to the Interim Administrator to be carried out in an effective manner. It was, also, possible at an early stage to provide a level of assurance to the HSE to enable the continued release of funding and delivery of services.

There was no legal challenge to the appointment in the instance of the CRC. However, this may not be the case should similar circumstances arise in another agency. It may, therefore, be prudent to devise an alternative mechanism which might be incorporated in the service arrangements/agreements. The Charities Act, 2009 may, also, be of assistance and provide options as it will be possible to appoint an Inspector to investigate the affairs of a charitable organisation.

The Interim Administrator, not having powers or protections normally afforded to an officer or employee of the company, was not authorised and could not risk embarking on a formal investigative process entailing the formal taking of evidence by way of interviews with a view to making any findings of wrongdoing.

On a general note, it should be stated, in the event of any wrongdoing being alleged by, reported to or suspected by, the Interim Administrator, it would have to be reported to the appropriate authority. To do otherwise would go beyond the terms of reference of the Interim Administrator's appointment. The Interim Administrator did not find it necessary to refer any matter to any third party or authority.

3.2 Access to Records

Reliance was placed, in the first instance, on the available records and documentation. Full access was afforded to all documents and records requested and, in general, the documentation referenced, quoted or included in this report is:

- supplied by the CRC to the HSE and other agencies under the terms of the service arrangements;
- could reasonably be requested by the HSE or other agencies in relation to the monitoring or supervision of the service arrangements;
- is subject to disclosure under the FOI legislation;
- has been filed or is to be filed with the Companies Office; or
- is already in the public domain.

Overall the standard of record-keeping was good and the normal financial transactions, in particular, were properly supported or vouched. However, there were some exceptions:

- It was a matter of concern that the HR files relating to two former chief executives, normally held in the Office of the Chief Executive could not be located;
- Inter-company transactions, involving significant amounts of money, lacked formality and recording;
- Minutes of Board meetings were available but, additional documentation and reports referred to in the minutes were not always available; and
- Audit and a Remuneration Committee records and reports were not complete.

Nevertheless, even in these cases, sufficient records were available from other sources within the CRC to overcome an absence of primary records and draw conclusions. The documents, in many instances, were signed or approved by the Board or former CEO and *speak for themselves*.

It should also be noted that the CRC does not publish an annual report. An annual report giving comprehensive details of the CRC activities, services, funds or fundraising sources should be published.

The CRC does maintain and is updating its website www.crc.ie.

One anonymous note was received in the Interim Administrator's Office alleging an inordinate amount of shredding in 2013. The Interim Administrator could not verify if this was the case but, it was noted that there had been a reorganisation of files in 2013 and that some files had been relocated off-site. It was established that these files related to the normal operations of the Clinic and that they were relocated to provide additional staff accommodation at the Clinic. The relocation of files was, therefore, concluded to be part of normal organisation of files and no sinister motive was ascribed to this action.

The examination of documents and records did not provide evidence of wrongdoing by any individual or group to merit any reporting of issues to other authorities. The available evidence points to governance difficulties at the top of the organisation relating to certain practices, questionable procedures, wrong interpretations of compliance requirements, poor judgement and these are outlined later in this report.

3.3 Access to Staff, Auditors and other authorities

All CRC staff were, within days, advised of the appointment of the Interim Administrator, the establishment of an Interim Administrator's Office at the CRC and contact details, including email at the CRC (See Appendix 3).

In the course of the appointment, over one hundred meetings were held with a variety of staff, clients and others, including the executive team, individual managers, CRC and schools staff members, a voluntary organisation representing clients, school management, managers of related undertakings and HSE managers.

Meetings were, also, held with the external auditors of the CRC, F&S and CRC Medical Devices.

No specific allegations of wrongdoing by any individual were reported to or brought to the attention of the Interim Administrator in the course of these meetings or otherwise.

Meetings were held with the Actuary for *CRC Plan* and with IPT in relation to matters pertinent to operation of the private pension scheme and these are dealt with in some detail in this report.

The companies which come to the attention of the Office of the Director of Corporate Enforcement (ODCE) are, in the main, insolvent. There is no question as to the solvency of the CRC or F&S and CRC Medical Devices is to be wound up and is no longer trading. A much lesser number of cases involving the filing of false statements/accounts or not maintaining proper books of account are, also, dealt with by the ODCE. Proper books of account have been maintained by the CRC and its related undertakings, the audits are up to date and it has not been necessary for any of the auditors to inform or bring to the attention of the ODCE any matter of concern. The ODCE does not specifically have a role in relation to companies engaging in activities beyond the scope of their memoranda of association. In such cases, the directors carry any inherent risks. In all the circumstances, it would appear that there is no basis for the ODCE being involved in the affairs of the CRC or its related undertakings.

The Revenue Commissioners conducted a site visit and requested documentation to support both the CRC's and F&S's continued entitlement to the exemption granted under Section 207 of the Taxes Consolidation Act, 1997 i.e. charitable status. All documentation requested has been provided to the satisfaction of the Revenue Commissioners.

There was no engagement with the former Governors of the CRC or the Directors of F&S *per se* but, the continuing members of both companies (all of whom were previously Governors or Directors) cooperated fully in the appointment of the new Boards.

The Public Appointments Service (PAS) managed the open competition for the recruitment of a CEO to the CRC. The candidate recommended by the PAS was appointed by the new CRC Board in April 2014.

3.4 Paid External Services and Advice

In the course of the appointment, Boardmatch was engaged to assist in the recruitment of a new Board of Governors for the CRC and a Board of Directors for F&S. Boardmatch is an independent company that supports the development of the community and voluntary sector by strengthening boards and management committees. The HSE had indicated that Boardmatch would be involved in the appointment of the new Governors and Directors (See Appendix 1).

Independent legal advice was separately procured by the Interim Administrator and the provision of financial advice in relation to the wind-up of CRC Medical Devices was provided by financial advisers.

3.5 Time Periods

The events of 2013 sparked the appointment of the Interim Administrator. However, the roots of the compliance issue which embroiled the CRC in an ongoing public controversy and dispute with the HSE in relation to compliance with public pay policy go back to 2009. For the purposes of providing assurance to the HSE in relation to current compliance levels and the soundness of systems, procedures and processes, the situation as at 2013-2014 was assessed. The available and relevant records for the period 2009-2013 were examined to identify legacy issues in relation to board governance, pensions and general compliance issues.

3.6 Level of Cooperation

The level of cooperation provided by the current staff and others involved in this exercise was exemplary. There was a universal and genuine wish to restore the reputation of the CRC and active participation and support was provided to the Interim Administrator. Information and explanations were willingly given in all cases.

In the current climate, there is a temptation to make general statements of moral condemnation and indignation in relation to the CRC. Such statements are not appropriate or justified in relation to the generality of staff at the CRC or in respect of the services they provide.

Government representatives and other politicians paid private visits to the CRC and met with clients, families and staff. The Director General and senior HSE managers also visited the Clinic. The support indicated for the CRC as a service provider and its clients, at what was a traumatic time for the Clinic, removed uncertainty in relation to the future of services and was much appreciated.

As stated above, the continuing members of the companies cooperated fully in the appointment of the new Boards to the CRC and F&S. The level of cooperation with the auditors from the Company Secretary and Directors of CRC Medical Devices, in relation to that company's wind-up, is not clear.

3.7 Caveat

This report is provided in connection with the appointment of an Interim Administrator by the HSE and to provide reasonable assurance to the HSE in relation to appropriate governance arrangements being in place to support the continued granting of public funding to the CRC. The level of assurance now provided, by way of this report, is limited given the duration and legal basis of that appointment – it is never possible to give an absolute assurance. Neither is it possible to give an assurance greater than that set out in any document relied upon by the Interim Administrator (e.g. Audited Accounts and Reports).

The report is, also, confined to relevant matters which are considered to be material in the light of the circumstances giving rise to the appointment of an Interim Administrator.

Conclusions are drawn on the basis of the best knowledge and belief of the Interim Administrator and recommendations are made in the best interest of ensuring a better future for the CRC and its related undertakings.

Chapter 4 General Note on System of Service Arrangements/Agreements

4.1 Background

The allocation of public funds to non-statutory health and social service providers is circumscribed by many factors including:

- Public demand for high quality services;
- Development of service standards;
- Increasing emphasis on efficiency, effectiveness and VFM;
- Achievement of specified outcomes;
- Prioritisation to address inequalities;
- Integration of services and between service providers;
- Increased public accountability and regulatory requirements; and
- Greater transparency in decision making.

In addition to the public accountability demands placed on these providers, there is, in most cases a need for the organisations providing these services to fully comply with Irish company law.

The relationship between the HSE and the agencies funded to provide health and social services for or its behalf is continuing to evolve. In the past, the relationship was framed in *softer* terms and written agreements /contracts were not always in place. The health sector has, however, changed dramatically. The early *accountability* legislation introduced service plans and placed a greater emphasis on personal health and social service providers delivering an agreed quantum of service with the funds provided by the Exchequer. The introduction of greater regulation and the new economic reality have, also, combined to drive demands for greater transparency in the specification, pricing, quality and performance levels in relation to all services, whether provided directly by the HSE or on its behalf by an agency.

Agencies might interpret these developments as a desire on the part of the HSE to micro-manage their organisations and, while there may be greater clarity on what services will be provided and at what price, some agencies may, in practice, over rely on their own interpretation of that relationship. The degree to which an agency can go its own way will, ultimately, depend on its reliance on public monies to deliver its services.

4.2 Service Arrangements/Agreements

Since 2009, significant progress has been made in improving the governance and management framework between the HSE and voluntary service providers. National standard governance documentation has been mandatory since 2009 and signed service arrangements and grant aid agreements are *de rigueur* in respect of the funding of agencies by the HSE. The standard governance documentation was introduced following an extensive process of consultation by the HSE with the HSE funded agencies and their umbrella organisations. The *legalistic* nature of the

documentation has, also, introduced more formality between the HSE and the voluntary sector.

The completion of the documentation has added to the administrative burden of the organisations but, there is an acceptance of the need for and usefulness of arrangements/agreements. In addition to documentation, there is a growing recognition of the need for a more robust approach to the management of the relationship with voluntary organisations, particularly the large scale organisations that have multiple arrangements/agreements and operate across HSE areas or nationally. The HSE should therefore, assign a designated HSE manager to each of the larger non-statutory agencies.

Increasingly, funding is and will be directly linked to a priced quantum of quality services. This is in line with the stated public health policy of *money following the patient*.

4.3 Legislation

The Health Act 2004 provides the legal framework for the HSE to enter into arrangements or agreements with two distinct categories of agencies/groups:

- Section 38 (1) states that:
The Executive may, subject to its available resources and any directions issued by the Minister under section 10, enter, on such terms and conditions as it considers appropriate, into an arrangement with a person for the provision of a health or personal social service by that person on behalf of the Executive.

and

- Section 39 (1) states that:
The Executive may, subject to any directions given by the Minister under section 10 and on such terms and conditions as it sees fit to impose, give assistance to any person or body that provides or proposes to provide a service similar or ancillary to a service that the Executive may provide.

In addition, Section 7(5) (a) of the Health Act, 2004 states that in performing its functions, the HSE shall have regard to services provided by voluntary or other bodies that are similar or ancillary to services that it is authorised to provide.

4.4 Types of Service Arrangements and Agreements

The following four arrangements/agreements cover all categories of non-statutory service providers:

- Section 38 Service Arrangements cover the Voluntary Hospitals and the major non acute voluntary community agencies;
- Section 39 Service Arrangements cover all voluntary and community agencies, other than the above, in receipt of funding over €0.250m;
- Section 39 Grant Aid Agreements cover all agencies in receipt of funding under €0.250m; and

- For Profit Service Arrangements cover all agencies in the commercial *for profit* sector regardless of funding level.

The non-negotiable terms and conditions specified in a Section 38 Service Arrangement relate to responsibilities, performance management information requirements and general quality standards. This part of the arrangement may span a number of calendar years and it is accompanied by a suite of annual schedules detailing the activities, volumes, costs and funding from all sources.

The Section 39 Grant Aid Agreement (GA) provides a simpler governance tool for use where voluntary/community agencies are in receipt of funding under €0.250m. This documentation consists of 13 standard clauses and appendices. Grant Aid Agreements operate for a single calendar year.

4.5 Challenges

The relationship between the HSE and the non-statutory providers is complex, demanding and is continuing to evolve. In 2014, for example, further compliance requirements are being placed, in particular, on the boards of organisations entering into arrangements with the HSE.

In relation to the operation of arrangements/agreements, progress is still to be made in the following areas:

- Service arrangements/agreements do not always reflect the totality of the relationship between a service provider and the HSE. Multiple arrangements/agreements, rather than single arrangement/agreement reflecting the requirements of all the HSE directorates and areas, continue to feature. This necessitates, especially in the case of national organisations, the development of multiple streams of consultation and negotiation and repeatedly completing sets of documentation for different HSE areas/locations. Ideally, the HSE should assign operational responsibility for each of the larger non-statutory agencies to a designated HSE manager.
- A system of funding based on specified outputs and prices (i.e. a *money follows the patient* system) is not yet in place. Pending the implementation of such a system, the audited annual accounts of agencies should be viewed by the HSE as a means of providing greater transparency in relation to the use of funds and the overall funding position of each agency and should be routinely scrutinised (to ensure, for example, the identification of cash balances/deficits being accumulated, the level of executive remuneration, appropriate charging of overheads, the application of marginal rather than average costs for additional services and transparency on all funding sources). HSE managers may not always have the expertise to interpret or analyse these accounts but they should have access to appropriate Finance Directorate expertise as required. Ultimately, there will have to be an investment in developing systems and building capacity within both the agencies and the HSE if the money is to follow the patient.

At a more strategic level, it should be recognised that there has not been a history of evaluation of services and radical reform of the services/service models tends to be

preceded by a crisis or some factor (e.g. value for money initiative) in the external environment.

The terms of the arrangements/agreements and reliance on public funding increasingly compel agencies to operate within stricter public sector norms. In a nutshell, the larger non-statutory providers are, in many significant respects, indistinguishable from public providers. The focus of the public debate is concentrated, not on the role the sector will play in the overall health system, but on the narrow issue of executive remuneration and disclosure.

In the context of new compliance obligations again being placed on boards in 2014, they may become more risk averse and less innovative. Boards may consider that they have less discretion and are merely agents of the State implementing State controls. It is, therefore, vital that these boards, if they are to attract individuals with the right competencies and experience, can see themselves as having a meaningful role in shaping their organisations and contributing to future service development.

4.6 Relevance and Implications for CRC

The CRC is a Section 38 agency and it is heavily reliant on HSE/public monies to fund its activities. It does, however, have multiple arrangements with the HSE and funding agreements with other public bodies. The CRC did go its own way on the issue of executive remuneration and recruitment and came into conflict with the HSE. Its audited annual accounts and those of F&S were available to provide a degree of transparency in relation to the use of funds and the identification of cash balances being accumulated – if they had been scrutinised.

While it might be noted that the systematic implementation of more onerous service arrangements/agreements is not perfect, agencies have adapted and cooperated with the HSE as the funder of services. It should have been clear to the CRC (and, indeed, a number of other agencies) from 2009 that the environment in which it operated had changed significantly and would continue to change. The CRC Board was, in fact, informed by a former Chairman, on 15 June 2009 at its Annual General Meeting, that he *felt [the Board] were in changed times and that this could signal a turbulent year ahead*. The maintenance of an argument of provider independence prevailed for a number of years but, ultimately and most reluctantly, in 2013, the Board and CEO took the change on board (as evidenced by the departure of the CEO and the setting of a lower salary for the new CEO by the Board), but only to a limited extent (as evidenced by the process the Board followed to recruit that CEO and decide on a salary).

Individuals with a range of competencies and experience have been attracted to form a new Board in 2014 and they will want to play a meaningful role in, not alone shaping the future CRC, but, also, making a contribution to the wider sector.

Chapter 5 Central Remedial Clinic (CRC)

5.1 Functions

The CRC is a national organisation responsible for providing a comprehensive range of services for adults and children with physical disabilities. Services are provided each year for over 4,000 adults and children with a range of physical conditions such as cerebral palsy, muscular dystrophy, spina bifida and brachial plexus injury.

2013	Clients	Visits	Interventions
Children	2,430	31,980	116,273
Adults	1,501	9,254 (+ 68,538 Adult Services)	24,025
TOTAL	3,931	109,772	140,298

Medical, therapy, social, training and rehabilitative services are provided and the nature of the services provided means that, in many instances, a child referred to the CRC will continue to receive services into adulthood. A sample client history is given in Appendix 4.

The CRC does not charge its clients for services provided.

Of the 140,298 interventions, 102,376 were made in Dublin and 37,837 outside Dublin. Services are concentrated in Dublin as the national centre but, services are being developed at other locations (Limerick and Waterford) and outreach clinics are now provided (as illustrated below).



The CRC's strategic vision, as stated in the Strategic Plan 2008 – 2012 is:

... to be the recognised national centre of excellence in the provision of specialist services to children and adults with physical disabilities.

The Strategic Plan has not been updated but the new Board has already determined the formulation of a new plan as a priority for 2014.

The CRC's Memorandum of Association sets out the objects of the company (See Appendix 5) and is relevant in the context of any determination as to whether the CRC or its Board had the authority to enter into contractual arrangements on any specific matter.

Modern drafting techniques ensure that a company's memorandum provides the broadest latitude to the company so that problems associated with actions being declared *ultra vires* are avoided. If, however, the funds of a company are used for a purpose outside the scope of the objects specified in the memorandum of association, any director or officer responsible for such use of funds is liable to the company for any loss suffered by the company. The members of a company can take actions where a company acts or may act *ultra vires*.

In the case of the CRC, it is difficult to envisage that a member or members of the company would take any action in relation to a Board decision as the members of the company were, also, Board Governors to December 2013.

It should, also, be noted that an act by a company in favour of any person, even if the company did not have the power to do such act, will generally still be effective in that person's favour.

In general, a legal act that is reasonably incidental to the company's business, that is made bona fide and in the interest of the company will, generally be considered *intra vires*.

5.2 Governance

The CRC has operated under the direction of a Board of Governors. Governors are appointed, under the company's Articles of Association, by the members, Governors and the Mater Hospital (under a historic agreement which is to be reviewed in 2014).

The Board has provided confirmation in the published accounts that it is responsible for ensuring that proper books of account and records are kept by the Clinic and that it complies with company law requirements.

Governors served in a voluntary capacity and did not receive any remuneration or expenses. Other than a Governor being a partner in the legal firm providing advice to the Board and CRC, no Governor business links with the CRC were noted.

The CRC Board, at 1st January 2013, comprised a Chairperson (Mr. H. Goulding) and eight other Governors (Mr. Vincent Brady, Mr. B. Conlon, Mrs. H. Jameson, Mr. D. Martin, Mr. J Nugent, Ms. A. Rice-Jones, Mr. P. Ryan and Mr. M. Walsh). During 2013, Mr. Nugent was appointed as Chairperson; Mr. B. Conlon resigned from the Board; and Ms. M. Day, Mr. P Kiely and Ms. F. Sheppard joined the Board. All remaining Governors resigned on 13th December 2013. Seven members of this Board had served as Governors for at least ten years.

In 2013, the Board met in February, April, May, June (including an AGM), September and November. Minutes of these meeting are available. A meeting was scheduled to take place December 2013, but no minutes are available to confirm that such a meeting was held.

The CRC's CEO acted as Company Secretary and attended all Board meetings. The CRC's Medical Director, also, attended Board meetings.

The Board had established an Audit and a Remuneration Committee but records and reports of the meetings held by these committees are not complete. Each committee comprised three Governors (and did not have any additional external members). The inclusion of external members on Board committees will be examined by the new Board in 2014.

A policy of rotation of Board membership was in place. Resigning Governors were eligible for re-election to the Board but the numbers of terms that could be served

was not limited. The new Board will be reviewing this policy as part of an overall review of its governance in 2014.

The CRC had an Executive Team which was led by the CEO and met monthly. The composition of the Executive Team has varied down through the years (See Appendix 6).

The CRC system of control includes financial planning and monitoring, procurement, external audit, quality management and a range of HR policies and procedures to ensure the health and safety of staff. The CRC does not have an Internal Audit unit. The Clinic is, currently, working on the development of risk registers as part of an overall risk management function.

The CRC has charitable status.

5.3 Appointment of new Board of Governors

A new Board was appointed in 2014 and held its first meeting in April 2014. This Board has a broad range of competencies (including advocacy, charity expertise, governance, legal, business, finance, IT and HR) and the members have diverse backgrounds. There is scope for the Board to recruit additional expertise as it deems necessary.

Notwithstanding the request of the HSE for the dissolution of the Board and the tenor of public comment on the CRC and its Board immediately prior to its resignation, the recruitment of a Board in circumstances where the company had then been virtually abandoned by all its previous Governors, Company Secretary and CEO presented organisational and legal difficulties. It would, therefore, have been preferable for the HSE and at least two Governors to work together to transition to a new Board. The approach taken in the appointment of the new Board is summarised in the explanatory note issued to the continuing members of the company (See Appendix 7).

In addition to appointing a competency-based board, work, in anticipation of the appointment of that Board, also commenced on the establishment of a forum for the parents of children receiving services and a forum for adults receiving services. The purpose of these fora is to enable clients to have a real *say* in how services are organised and delivered.

The new Board now governs the CRC and it has assumed responsibility for its operations.

5.4 Finance

The income €19.379m in 2013 consists of Grants, Donations and Fundraising, F&S Donations and Other Income.

(i) Grants

The following table shows that the bulk of the CRC's expenditure is funded by way of grants, principally HSE Section 38 and 39 allocations:

Year	Grants €m	Expenditure €m	Expdr. Funded by Grants
2009	19.099	21.250	90%
2010	17.668	20.089	88%
2011	17.201	19.543	88%
2012	16.628	19.546	85%
2013	16.521	19.686	84%

Appendix 8 gives a more detailed analysis of the CRC's income and expenditure for the period 2009-2013.

In 2013, the CRC records show that €16.3m of the total of €16.5m received in grants were allocated by the HSE as follows:

Section 38/39 Arrangement	CRC Location	Grant/Allocation €	HSE Office/Area
38	CRC	14,014,184	Dublin North East
39	Waterford	925,945	South East
39	Limerick	394,228	Mid West
39	Firhouse	184,995	Dublin-South West
39	Hartstown	184,609	Dublin-Northern Area
39	Transition Project	152,544	Dublin-Northern Area
39	Nursing Home Project	54,910	Dublin-Northern Area
39	Outreach Clinic	11,156	Midland
Other	Rehabilitative Training	371,837	HSE
Other	School Leavers Day Service	4,142	HSE
	Total	16,298,550	

The CRC is designated by the HSE as a Section 38 Agency (See Appendix 9). However, some of the documentation for the services provided outside the main centre at Clontarf refers to Section 39 Arrangements. As discussed earlier in this report, it would be preferable to have a single arrangement, comprehending all CRC services, in place.

(ii) Donations and Fundraising - €328,961 in 2013

Fundraising by the CRC (e.g. Santa Bear Appeal and flag days) amounted to €190,934 in 2013. The direct costs and overheads associated with the fundraising of this amount were €204,340, representing a loss of €13,406 (See Appendix 10 for an analysis of the internal CRC fundraising income and costs).

Major donations received amounted to €101,309 and school events raised €36,718.

For obvious reasons, as shown below, the CRC has experienced a sharp reduction in the funds being raised from its fundraising activities and, in 2014, staff previously assigned to fundraising were redeployed to other roles within the CRC.

Year	Fundraising Income €	Major Donations €
2010	417,975	156,975
2011	516,193	54,162
2012	404,564	100,327
2013	190,934	101,309

The new Board should, as an immediate priority, determine the CRC's future fundraising strategy.

(iii) Donations by F&S - €0.700m in 2013

The donations received from F&S in 2013 related to CEO's termination agreement and amounted to €0.700m. That termination agreement was the subject of previous correspondence with the HSE and PAC and is discussed in more detail later in this report.

The CRC has access to significant funds raised through a lottery organised by The Care Trust for the benefit the CRC, REHAB and the Mater Hospital. The lottery proceeds generated for the benefit of the CRC are paid, in the first instance, by The Care Trust to F&S and that company holds and invests the funds received and, ultimately, releases the funds to the CRC. These arrangements are, also, discussed in more detail later in this report.

Planning in relation to a number of capital projects (including investments in infrastructure at Swords and Clondalkin) is at an advanced stage and funding for these projects is already committed by F&S. It should be noted that the pace of expenditure on capital projects with revenue expenditure implications (i.e. increased grants are required to deliver services on an ongoing basis from the new facility) will be dictated by the willingness of the HSE to commit to increasing funding under the service arrangement/agreement.

(iv) Other Income - €1.829m in 2013

Income from activities such as Seating Sales and Programmes, Swimming Pool, Catering, and Training Programmes amounted to €1.651m in 2013.

The balance of €0.178m comprises Pension Levy Income (VHSS employee members) and transfers.

Expenditure - €19.715m in 2013

Expenditure in 2013 amounted to €19.715m of which staff costs were €15.666m i.e. 82% of total expenditure.

The final audited accounts are not available at the time of writing. However, it is expected that, with the support of the new Board, the approach to the publication

of the accounts will go beyond the strict requirements of Company Law and provide greater disclosure, particularly in relation to sources of funds and executive pay.

5.5 Staff Numbers and Pay Rates

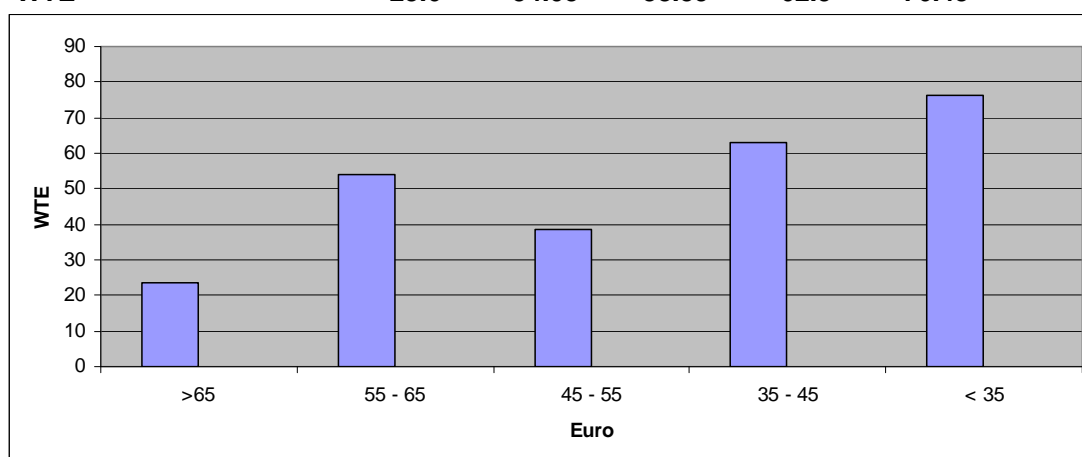
Staff numbers are measured and controlled through a system of Whole Time Equivalent (WTE) Ceilings determined by the HSE and against which agencies must report on a monthly basis. At 31st December 2013, the CRC employed a total of 255.57 WTEs. When account is taken of WTEs funded from separate funds (e.g. Solas); replacement and locum staff funded from CRC payroll savings etc.; and staff allocated to services provided at the behest of the HSE under a service arrangement for which no WTE adjustment was made, the CRC operates within the HSE WTE ceiling (See Appendix 11).

In general, keeping track of WTE ceilings and adjustments made or outstanding requires on-going statistical contortions by all agencies and HSE cost centres. The deeper and more fundamental questions relate to ensuring the continuity of services, quality of services and delivery of services within budget. It would be perverse, in the extreme, if clients were to suffer in circumstances where budget and staff were available but a WTE ceiling adjustment was awaited. Nevertheless, the CRC, in future reporting of WTEs, will show all employees numbers, irrespective of the funding source and provide a reconciliation to approved WTE ceilings.

An analysis of WTEs by service/department is given in Appendix 12 and an analysis of WTEs by grade is given in Appendix 13.

The distribution of salary levels for all staff employed by the CRC is shown below:

€'000 per annum	>65	55 - 65	45 - 55	35 - 45	< 35
WTE	23.6	54.05	38.59	62.9	76.43



Source: CRC HR Department

The 23.6 WTEs on an annual salary over €65,000 fall into the following categories: Administrative/Management (8); Psychology (6); Other Allied Professional (4); Medical (3.30); and Scientific/Engineering/Research (2.3).

The maximum of each relevant consolidated salary scale is listed in Appendix 14.

5.6 Executive and Senior Administrative Pay Arrangements

The new CEO, recruited through the Public Appointments Service (PAS), is being appointed to a salary scale equivalent to that of the grade of Local Health Office Manager (Consolidated Salary Scale €83,252 min. to €100,796 max – six points). At the maximum of the scale, the new rate is 43% of the rate paid by the CRC at the beginning of 2013 and 81% of the rate approved by the CRC Board for the replacement CEO recruited in 2013.

In addition to the CEO, the current Executive Team has seven other members.

In the past, members of the Executive Team (other than the Medical Director) were placed on a scale with a max of €101,469 (as at 01/01/2014, fully adjusted for Croke Park and Haddington Road Agreements). The following is the position in relation to the current Executive Team members:

- (i) Three members of the Team are currently paid at €101,469 – of these, one member is to retire on age grounds in 2015, one member is on a fixed period contract which expires in April 2015 and the third member was appointed permanently on this salary in 2011.
As the situation will be resolved through retirement or contract expiry in 2015, no further action was taken in relation to the retiring employee and the fixed term appointment. Appropriate notation was, however, made to the HR file of the holder of the fixed term contract.
The Executive Team salary rate is outside HSE salary norms and should be red-circled in the case of the permanent employee. The range of duties and responsibilities for this Team member should, also, be reviewed by the new CEO in the context of the composition of the future Executive Team and the allocation of duties across the Team.
- (ii) Two members of the Team were appointed on fixed term contracts on their existing salaries (consolidated scales) plus an allowance of €15,000 to give total packages of €83,617/€87,631. These appointments expire in April 2015. Appropriate notation was made to HR files for the attention of the new CEO and as the contracts will expire within one year approx., no further action is required;
- (iii) The most recent appointment to the Team was recruited in 2013 but terms (including salary) were only agreed in 2014 when the appointee was placed a salary of €64,812 i.e. the minimum point of the Grade VIII salary. As this appointment has been made to the minimum of a consolidated scale within HSE norms for the position, no further action is required;
- (iv) The final member of the Team is the Medical Director who is paid in accordance with the Consultants' Common Contract (Temple Street) and receives an additional allowance of €19,187 in respect of the performance of Medical Officer duties at the CRC. Again, the Medical Director has been appointed for a fixed term and the allowance should be reviewed when a new Director is recruited. No further action in relation to this arrangement is required for the present.

In summary, the new CEO has been appointed to an appropriate approved consolidated scale, three of the remaining Team members are on fixed period contracts which expire in 2015, one member will retire on age grounds in 2015, one member has been appointed to the minimum point of the appropriate consolidated scale, the Medical Director is paid in accordance with the Consultants Contract and the salary of the final member, appointed permanently to the former CRC Executive Team salary rate is red-circled.

Appropriate notes, for the attention of the new CEO have been made on all the individual HR files. (*Red circling*, in the case of the CRC, is defined in the Abbreviations, Acronyms and Definitions Section)

In the case of any future appointments to the Executive Team, salaries should be fixed by reference to the appropriate consolidated scales and should not, in the case of management/executive grades, in any circumstances, be above the grade of HSE Local Health Office Manager or equivalent grade (€100,796 max). The rules in relation to senior appointments and other public pay policies should, also, be followed.

The substantive grades of the senior administrative grades in HR and IT are Grade V, Grade VI and Chief Clinical Engineering Technician (all Consolidated Salary Grades/Scales) and, in addition, allowances (€4,406/4,725/9,639) are paid in respect of additional duties being performed as a result of the non-replacement of two former Executive Team members. The overall total of salary and allowances could be regarded as falling within HSE norms. However, it will be a matter for the new CEO to review these arrangements in the context of the overall future management structure of the CRC. In the meantime, these arrangements should, be red-circled.

The full-time annual salary for one senior finance employee (who is part-time) is €101,469 – recently reduced to reflect the Croke Park and Haddington Road Agreements. The holder was appointed permanently to this salary/position in 2000 and the contracted salary has, down through the years, been adjusted in accordance with the terms of the employee's contract. The professional qualifications held and duties performed are, at least, comparable to those of an Executive Team member. The salary is not, therefore, out of line in the context of salary arrangements at the CRC but, can only be interpreted as being outside current HSE norms. On that basis, this salary should be red-circled to this employee.

The various public sector pay cuts have now been applied in full to all current Executive Team and other Senior Administrative grades and the need for future appointments to be on the basis of consolidated scale within HSE norms will be brought to the attention of the new CEO and Board of Governors as will the need for compliance by the CRC with public pay policy.

In the past, the CRC operated an *executive* payroll in addition to a *general* payroll. From 1st January 2014, all employees are paid through the general payroll and all payroll adjustments must, upon Board and/or CEO sanction, be implemented by HR in accordance with relevant HR and organisational policies and processed for payment through the single general payroll. These revised arrangements ensure a division of duties and appropriate checks and balances for the organisation.

All the above personnel are employees of the CRC and all their payments are processed through the CRC payroll. They are, also, included in the CRC's Census Returns and are included in the headcount for the purposes of the compliance with the HSE's approved WTE ceiling for the CRC. Their pay arrangements do not include separate payments from any other source.

F&S, nominally the *fundraising arm* of the CRC, is a separate company and which does not employ any staff. It is being recommended later in this report that the granting of donations/funding decisions should, in future, be a matter for the new, independent and separate Board of Directors and donations and any other funds provided to the CRC should be made for specific services/purposes/facilities. There should not, therefore, be any capacity or mechanism for F&S to sanction or fund any additional salary payments to CRC staff.

It would be unwise for an Interim Administrator (or a Board of Governors) to unilaterally break existing employee contractual arrangements and, thereby, expose the CRC to significant financial risk. It should be remembered that the cuts in public sector pay required the passing of the FEMPI legislation. It should, also, be borne in mind that an employee cannot be held to be blameworthy for what may be viewed as a generous contract offered by the organisation and accepted in good faith by the employee.

A full declaration of all pay arrangements has been made 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. Through a combination of new appointments being made to consolidated scales, the expiry of fixed term contracts in 2015, a retirement in 2015 and a review of duties it is necessary, at this stage, to red-circle salaries/arrangements in a small number of cases. In all the circumstances, the above represents a reasonable and proportionate approach which was accepted, on that basis, by the HSE.

The new Board and CEO will, no doubt, revisit these matters and may take a more radical approach. However, the continuation of existing arrangements until 2015 will allow the new Board and CEO an opportunity to review the executive team and senior administrative structure, staffing and pay arrangements.

5.7 Pensions

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). Both schemes are summarised in Appendix 15.

Some employees have exercised waivers – not joining any of the pension schemes or operating Personal Retirement Savings Accounts.

5.7.1 VHSS

The VHSS scheme applies to the majority of staff and is administered, funded and underwritten by the Department of Health. The Mater Hospital acts on behalf of the CRC as an agent in the operation of the scheme and the CRC remits the employee contributions (5 – 6.5%) and an employer contribution (10 – 13%) based on a

percentage of the members gross salaries to the Mater Hospital each year in accordance with terms agreed - €0.662m being the employer contribution in 2013. It is the Clinic's view that payments to the Mater Hospital discharges all its liabilities under the scheme i.e. the CRC has no liability arising from the potential underfunding of the scheme.

The CRC has also made a case that it should not have to pay an employer contribution but this was rejected by the Department of Health. The stance taken by the CRC Board and CEO in relation the VHSS (where it wants to be treated in a manner similar to other public bodies) contrasts with the independent line maintained in relation to the determination of executive pay.

Any rudimentary comparison of the VHSS and the CRC Plan, from an employer standpoint, shows that the CRC has enjoyed substantial benefits from the VHSS arrangement. The CRC, for example, pays a lesser employer contribution under the VHSS scheme (11.5% on average as opposed to 25% under the CRC Plan) and it does not have to make the additional and significant lump sum payments into the VHSS scheme to ensure its sustainability. It is, therefore, easy to understand why the CRC Board of Governors were, in 2010, *pushing for the inclusion of all our staff in the VHSS and for all staff to be equally eligible to avail of the VER scheme* (See Appendix 15). It should also be noted that, in recent years, pensions under the CRC Plan continued to increase in line with the Consumer Price Index as provided for in the scheme rules whereas, VHSS pensions have fallen as a result of the application of *FEMPI* cuts.

It is understood that the Department of Health is, at present, reviewing the Mater-VHSS agreement.

5.7.2 The Central Remedial Clinic Pension and Death Benefit Plan (the CRC Plan)

The CRC operates a separate defined benefit pension plan (titled CRC Plan) for eligible employees – now closed to new employees. The scheme is externally funded with assets held under trust for the benefit of members separately from those of the CRC. Mercer provides administration, actuarial and consultancy services and the trustee of the CRC Plan is Irish Pensions Trust (IPT). Contributions to the CRC Plan are based on the actuarial advice provided by Mercer.

As in the case of many private pension schemes, the CRC Plan was not expected to meet Minimum Funding Standard requirements and a revised funding proposal was prepared in 2011 to restore the CRC Plan to compliance with the Funding Standard by 2017.

The Proposal had a number of elements including:

- An employee contribution of 5% of pensionable salary would apply or such higher rate as would be agreed. The rate was subsequently increased from 5% to 10% and the employer rate was maintained at 25% of pensionable salary;
- In addition to additional lump sum payments made by the employer amounting to €2.936m in the period 2008-2011, a further lump sum of

€0.400m was to be made in December 2011. (These payments were funded from internal CRC budget savings); and

- An additional lump sum payment of €3.000m was to be made in 2012. This payment was financed by way of a loan from F&S.

The Proposal did not include any reduction in members' benefits as a measure to bring the CRC Plan into compliance. The Proposal did include general standard provisions in relation to the operation of the plan, in particular the granting of early retirement but, extraordinarily, did, also, at the request of the employer, include a specific allowance in the calculation of scheme liabilities *for 1 early retirement in period [to 2017] for 1 member at age 62 on an actuarially reduced pension* (see Appendix 16). This provision will be referenced later in this report in the discussion of the pension package granted to a former CEO. Early retirement was not generally available under the CRC Plan and the CEO had been advised in 2011 that early retirement was not likely to be allowed as the CRC Plan was underfunded on a Minimum Funding Standard basis at that time. Plan members were not informed of this *allowance* for one member as Irish law and the rules of the scheme did not require such a disclosure to be made.

The CRC Plan Actuary has certified that the Funding Proposal is currently on track (See Appendix 17).

While all required legal disclosures under the CRC Plan have been met, members of the CRC Plan did express concerns as to a lack of information on the rules of the plan and its operation. Members should, therefore, receive more regular updates from the CEO/HR/Administrator on the scheme.

5.8 Application of Public Pay and CEO Recruitment Policies

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 the CRC Governors resigned. Correspondence and CRC Board minutes are correlated in the following summary:

24 April 2009

Letter from L. McGuinness HSE to D. Peelo, Chairperson:

HSE requested the CRC to take steps to reduce senior management staff remuneration.

11 May 2009

Board Meeting:

Board informed of contact with HSE and decided that A. Rice-Jones [Governor] would draft a response. If required, the Board would meet prior to AGM in June if a decision was needed.

8 June 2009

Letter from D. Peelo, Chairman, CRC to L. McGuinness HSE:

It is our firm contention that the level of Management salaries is a matter solely for the Board of Governors of the CRC to determine.

15 June 2009

Letter from L. McGuinness HSE to D. Peelo, Chairman, CRC:

Meeting between HSE and CRC Board representatives is to be arranged.

15 June 2009

Annual General Meeting:

D. Peelo, Chairman informed AGM of *difficulties encountered with the HSE, now contacting him directly, making financial demands on CRC. He felt... [the Board was]... in changed times and that this could signal a turbulent year ahead.*

25 June 2009

Meeting is held between CRC Board Representatives and HSE Management.

7 July 2009

Letter from L. McGuinness HSE to D. Peelo, Chairman, CRC:

Reference is made to meeting held on 25 June 2009 but the request for the CRC to immediately reduce the remuneration of senior management is reiterated. CRC response is required within two weeks.

15 July 2009

Letter from D. Peelo, Chairman, CRC to L. McGuinness HSE:

The HSE letter of 7 July 2009 was acknowledged by Chairman who would *refer back* after the next Governors meeting scheduled for 14 September 2009.

9 November 2009

Board Meeting:

Chairman outlined details of meeting with HSE and stated that *the matter had been resolved to the satisfaction of both parties and that he would be finalizing the matter by writing a confirmation letter to the HSE.*

17 November 2009

Letter from D. Peelo, Chairman, CRC to L. McGuinness HSE:

The Board confirmed that the CRC *will itself fund the excess of the salaries concerned and when the management posts concerned fall to be replaced through retirement or resignation, the salary of the incoming replacement will be discussed and agreed with the HSE.*

27 October 2011

Letter from H. Goulding, Chairman to HSE:

Chairman confirmed that *as and when the position of Chief Executive is to be replaced through retirement or resignation CRC will arrange that the provisions set out ... are included in all future relevant contracts*

7 November 2011

Board Meeting:

H. Goulding, Chairman informed Board that he received a letter from HSE regarding Remuneration of Chief Executives in Health Sector and that he had confirmed to the HSE that *the CRC would comply with their request in any future appointment.*

2 April 2012

Board Meeting:

Following a presentation on Senior Management Remuneration by H. Goulding, Chairman, it was *decided that management salaries should be maintained at the current levels.*

10 December 2012

Board Meeting:

The CEO's remuneration was discussed in the context of a media request to reveal the CEO's salary and an awareness of the need to conform to HSE policies. (It should be noted that, at this time, Government had decided that public sector remuneration should not exceed €200,000 p/a). The Board, *after discussion of the issues involved and the consequences of making any changes decided that it was not in the Clinic's best interest to make any change to current arrangements.*

11 March 2013

Remuneration Committee Meeting:

The package to be offered to the CEO upon retirement was considered.

25 March 2013

Special Board Meeting:

H. Goulding, Chairman formally announced the retirement of the CEO. The Board approved a retirement package for the retiring CEO and a mechanism for the appointment of a new CEO was agreed. *Salary level of the new appointee, and our [Board] approach to dealing with the HSE on this question were also discussed.*

8 April 2013

Board Meeting:

The meeting was informed that Amrop Strategis had been appointed to conduct the search for a replacement CEO. It was noted that it was agreed with the current CEO that *he would remain in post until such time as an appointment was made and that once free to do so he would join the Board of Governors.*

24 April 2013

Letter from H. Goulding, Chairman to L. McGuinness, HSE:

The Chairman informed the HSE that the CEO intended to retire; a contract with Amrop Strategis had been signed to *handle the recruitment* of a new CEO and the HSE would be kept informed of progress; *this change brings with it an opportunity to make a very substantial move towards bringing this pay level into line with your scales; the Board of Governors remains very committed to moving into line with your requirements.*

25 April 2013

Letter of Acknowledgement from HSE to H Goulding, Chairman:

HSE advised the Chairman that his letter was receiving *appropriate attention.*

2 May 2013

HSE letter to H. Goulding, Chairman:

The HSE provides a copy of Circular HSE HR 006 2007 and requests the completion and submission of relevant documentation, including a Business Case.

13 May 2013

Board Meeting:

The Board agreed that three of the Governors would comprise the selection panel for the internal process for the recruitment of a CEO.

10 June 2013

Board Meeting:

The Board approved the recommendation of the Recruitment Sub-Committee to appoint a former Board member as CEO from 1 July 2013 and to finalise contract details *having regard for the legal advice to hand*.

13 June 2013

HSE letter to H. Goulding, Chairman:

HSE was aware that the Board of the CRC had appointed a CEO, with effect from 1 July 2013, in the absence on an application being received or approved by the HSE. This action was stated as being a clear breach of the Service Arrangement. An urgent meeting was sought by the HSE with the CRC.

26 June 2013

HSE letter to J. Nugent, Chairman:

For the avoidance ... of doubt, the HSE formally advised the Chairman that *there is no approval to proceed with the filling of this [CEO] post and the process for recruitment must be stopped with immediate effect*. The HSE offered to meet with the CRC.

27 June 2013

Letter from H. Goulding, Member (on behalf of Chairman) to HSE:

The offer of a meeting with the HSE was accepted. A summary of the steps taken by the CRC was outlined in relation to the CEO position. In the context of the objectives set out in HSE Schedule 6/2013, the Board believed that the approach taken *fully complies with the four Compliance Requirement criteria and is in accordance with the general intention for organizations to manage these issues internally*.

28 June 2013

HSE letter of acknowledgement to H. Goulding, Member:

The HSE requested, by return, confirmation that the CEO recruitment process had ceased.

8 July 2013

HSE letter to J. Nugent, Chairman:

The HSE sought documentation from the CRC, including the CEO recruitment file. The HSE, also, sought confirmation that the recruitment process had ceased and no appointment would be confirmed pending a formal review by the HSE.

15 July 2013

First Performance Notice:

The First Performance Notice under clause 13.1 of the Service Arrangement was issued to the CEO of the CRC as the designated recipient of notices. The Notice stated that CRC has failed to comply with provisions of the Service Arrangement and required the CRC to immediately take action to comply with the Service arrangement within 14 days. An urgent meeting with the CEO and the Chair was sought.

19 July 2013

Letter from J. Nugent, Chairman to HSE:

The appointment of a CEO was confirmed as made under a contract of employment entered into by the CRC and it was stated that *we [Board] are satisfied that our selection process was fair and correct.*

23 July 2013

Letter from L. McGuinness to J. Nugent, Chairman:

HSE informed the Chairman that the response to the Performance Notice and previous correspondence was wholly inadequate; relevant documentation was again requested; and the CRC was advised that it continued to be in breach of the service arrangement.

26 July 2013

Email from J. Nugent to HSE:

The Chairman advised the HSE that a full response would be made by the CRC Board.

6 August 2013

Special Board Meeting:

The Board decided to *pursue a non confrontational approach in response to the HSE* and nominated the Chairman and two other members to meet with the HSE.

7 August 2013

Letter from L. McGuinness to J. Nugent, Chairman:

Chairman was advised that no substantive response to serious issues had been received from the CRC.

8 August 2013

Second Performance Notice:

The Second Performance Notice was issued by the HSE and copied to the individual Board Governors. The actions to be taken were listed and it was indicated that the HSE was *now minded to suspend and withhold funding to the CRC* in the amount of €242,865.

12 August 2013

Letter from J. Nugent to HSE:

The CRC confirmed that documentation for a meeting was being assembled but was delayed as a result of the decision of Amrop Strategis to refer the recruitment file to its legal advisers.

14 August 2013

Letter of acknowledgement from HSE to J. Nugent:

A plan of action to deal with issues was sought from CRC.

22 August 2013

Letter from J. Nugent, Chairman to L. McGuinness, HSE:

CRC confirmed that the recruitment file would be available from 30 August 2013; the CEO contract of employment would be fully compliant with the applicable consolidated scale from 1 October 2013; and the CRC to meet with the HSE.

26 August 2013

Letter from HSE to J. Nugent, Chairman:

CRC was advised to formally respond to the Second Performance Notice.

27 August 2013

Email from HSE to J. Nugent, Chairman:

The CRC was advised that the formal response to the Second Performance Notice should be made to the issuer of the Notice i.e. RDO, Dublin North East.

28 August 2013

Letter from J. Nugent to RDO, Dublin North East, HSE:

This letter reiterated the position set out in letter dated 22 August 2013.

30 August 2013

Letter from J. Nugent to HSE:

The Amrop Strategis file was furnished to the HSE

4 September 2013

Letter from HSE to J. Nugent, Chairman:

The receipt of the Amrop Strategis file was acknowledged and a meeting was scheduled for 9 September 2013.

9 September 2013

Board Meeting:

The Board was updated on the meeting with the HSE earlier that day which was said to be conducted in a professional and cordial manner. The Board was advised that *some form of sanction was likely given their accountability obligations under the SLA and the C&AG.*

16 September 2013

Letter from HSE to J. Nugent, Chairman:

The HSE sought clarifications on the terms of appointment of the CEO.

25 September 2013

Letter from J. Nugent to HSE:

The Chairman set out the CRC's position in relation to the recruitment and salary of the CEO.

11 November 2013

Board Meeting:

The Board was informed that the Chairman, in a comprehensive response to the HSE, had answered *all outstanding queries* on the appointment of the CEO. It was noted that it was unclear if some form of sanction will ensue.

13 November 2013

Letter from HSE to J. Nugent, Chairman:

The HSE stated that, in relation to the recruitment process, prior HSE approval was not sought and that the consideration of a former Board member's application in an internal process was *highly irregular*. The HSE confirmed that it was prepared to continue the alignment of the CEO salary with the Local Health Office Manager scale (€83,252 min. from 1 July 2013).

6 December 2013
The new CEO resigned.

11 December 2013
PAC Meeting:
The Chairman and two other Governors appeared and gave evidence at a meeting of the PAC.

13 December 2013
Press Release issued by the Board:
The Governors announced their mass resignation.

The commitment given by the CRC, in the Chairman's letter dated 17th November 2009, in relation to the filling of management positions was as follows:

As and when the management posts concerned fall to be replaced through retirement or resignation, the salary of the incoming replacement will be discussed and agreed with the HSE.

Notwithstanding this commitment, the Board approved a series of appointments to the Executive Team without consulting the HSE, or seeking the approval of the HSE for those appointments. Replacements may have been given different titles and there may have been differences in the duties performed but, these appointments, for which a salary greater than that indicated by the HSE for a replacement CEO was, in some instances, paid by the CRC, were not in accord with the commitment entered into by the CRC as a means of resolving the compliance concerns in 2009.

In that letter, the CRC, also, gave an undertaking to:

We ... as a voluntary organisation, will itself fund the excess of the salaries concerned as identified by the HSE with effect from 1 Jan '10.

The CRC did not volunteer details to the HSE of the costs involved for the CRC nor how the CRC would meet those costs and neither did the HSE ask for details of the costs or the source of the funds to meet the costs.

The CRC then proceeded to artificially divide senior management and administrative salaries into two categories – Agreed HSE and Private CRC. For the purposes of reporting to the HSE in relation to the service arrangement, the Agreed HSE salary was included in various returns. The Remuneration Committee papers include a record of a formal declaration, by the CEO of the CRC to the CEO of the HSE in response to the HSE's HR Directorate request, of the actual salaries paid to senior staff in correspondence dated 25 May 2012 (See Appendix 18). The CRC did, also, maintain in public statements that these salaries were reported to and agreed with the HSE (See Appendix 19).

However, the most egregious aspect of the new arrangement was the opportunistic use of the artificial split of the salaries to facilitate the avoidance by senior staff (who previously received the full benefit of public pay increases) of the full impact of public sector pay cuts. In addition, an unnecessary burden was maintained on

charitable funds by not reducing the *Private CRC* component of executive pay. In the case of the salary of the CEO, for example, the relevant calculations are as follows:

01/09/2008 2.5% (Towards 2016, general increase on €228,730) €234,449

01/01/2010	Private CRC (no cut applied)	€118,449
	Agreed HSE (€10,600 cut on €116,000)	€105,400
	Total Revised Salary Paid	€223,849

The proper application of the FEMPI/Croke Park cut to the full salary would have resulted in the following salary revision:

01/01/2010	15% reduction on a salary over € 200,000 (€234,449 * 0.85)	€199,282
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This approach would have reduced the burden on the CRC private funds by €24,567 per annum on the basic pay of the CEO and a further €22,000 approx. per annum on the combined basic salaries of other executive team members.

It should, also, be noted that salaries were further reduced with effect from 01/07/2013 under the Haddington Road Agreement. The salary of former CEO at the projected early retirement age of 62 would have been calculated as follows:

Correct Salary at 01/01/2010	€199,282
Haddington Road Agreement:	
5.5% on €80,000 = €4,400	
8.0% on €70,000 = €5,600	
9.0% on €35,000 = €3,150	
10.0% on €14,282 = €1,428	
Total Reduction =	(€14,578)
Projected Salary at 01/07/2013	€184,704

The CEO, also, received an annual Travel Allowance of €19,016 which was not adjusted.

Under public pay policy, a Section 38 organisation is not entitled to pay remuneration above a rate as reduced in accordance with that policy or any general agreement on pay – neither can an allowance be paid to compensate for a reduction in the pay rate. There is, also, an obligation, where payment above the reduced rate is made, to recover the amount overpaid from the employee either directly or by deduction from any remuneration subsequently payable or otherwise. There is no evidence of communication with the staff involved in relation to how their rates were determined in response to the HSE concerns and the minutes of Board meetings were not made available to the Executive Team or other senior staff. In these circumstances, there may be a legal difficulty in recovering an amount resulting, in their eyes, from an error by the employer. However, the CEO, as the person charged with the executive responsibility for the administration of the CRC, would have been familiar with a public pay policy diligently applied to other staff in the CRC and was the author of proposals to the Remuneration Committee on the implementation of pay policy and, on that basis, monies paid in excess of the properly calculated reduced rate for the period 01/01/2010 to date of termination should be recovered. In the event of these monies being repaid or otherwise

recovered, then, depending on the manner of or conditions attaching to the repayment or recovery, it may then be possible to revalue the CRC Plan pension benefits.

One member of the Executive Team did request that the cuts in pay, in that person's case, be applied in full retrospectively.

An argument that the public pay cuts could not be applied to the CEO's and other executives' remuneration must be regarded as spurious. All the executive staff were employees of the CRC and were included as such in pay, pension and tax returns. The funding, in some years, of a portion of their remuneration by way of a donation from F&S is not a basis for avoiding pay cuts that were applied to all other CRC employees. It should have been obvious to the Board and the CEO that, in facilitating, whether deliberately or unintentionally, the avoidance of the full impact of pay cuts for those at the very top of the organisation, they were compounding concerns already conveyed by the HSE and they, also, risked alienating all other staff.

Even if arguments of leadership and fairness are discounted, the CRC, as a provider of services under a Section 38 arrangement, was obliged to:

- not pay nor subsidise salaries or other perquisites which exceed those normally paid within the public sector...(Clause 12(c)(v));
- respect and comply with the statutory role and regulatory and public accountability responsibilities of the Executive...(Clause 12 (c)(vii))

The CRC has the legal standing to decide how this matter might be pursued and, ultimately, resolved.

5.9 Early Retirement and Declaration of Pensionable Salary

An element of the former CEO's exit package included an exceptional payment in advance into the CRC Plan of employer and employee pension contributions in respect of the CEO. This payment was calculated on the basis of 35% (25% Employer + 10% Employee Pension Contributions) of a salary of €223,849 for the period June 2013 to November 2016 (i.e. age 62 retirement date) and amounted to €267,869 (€223,849*3.419years*35%). The pension to be drawn down in respect of the CRC Plan benefits from November 2016 will also be based on the salary of €223,849, adjusted in accordance with the plan rules. The additional *strain*, arising from a liability being incurred at an earlier date, was not quantified at the time the request for this early retirement *allowance* was made by the employer. The scheme Actuary did, however, build a liability of €0.200m approx. maturing in 2016 into the Funding Proposal. The additional *strain* is financed by the €3.000m paid into the CRC Plan by the employer under the Funding Proposal. In this instance, the final decision to allow a retirement at age 62 rests with the trustees (IPT) as provided under the Trust Deed and the Rules of the CRC Plan. The decision is made at the time of retirement (2016) and the trustees' decision must take cognizance of the ability of the plan to meet the costs involved based on the current advice of the plan Actuary.

The differences between the salary declared to the CRC Plan administrator for pension purposes (i.e. salary paid as at June 2013), the correct salary as at June 2013 and the projected *age 62* salary have been brought to the attention of IPT, the administrator and the plan actuary. The maximum difference is €49,745 – further adjustments may be required as the Haddington Road Agreement is due to end in June 2016 and the prospective retirement date is November 2016. It should be noted that the cost of a pension annuity to fund an actuarially reduced pension, for a member with full service in the CRC Plan who retires at age 62 on a salary of €50,000 p/a, is estimated to be €670-€800,000. It is clear that the salary that forms the basis for pension and other calculations is, from an employer standpoint, overstated and this has been brought to the attention of the IPT and the plan actuary. IPT sought legal advice on the options available in the event of an employer requesting a revision to a salary declared for pension purposes by the employer. The unambiguous advice (See Appendix 20) is that:

A Member is entitled to pension benefits under the Scheme based on Pensionable Salary ... based on the salary actually declared by the CRC to the Administrator [Mercer] in respect of the Member;

The CRC or the Trustee do not have the power under the Trust Deed and the Rules to amend how Pensionable Salary is calculated as this would result in a reduction in the accrued benefits ... and this cannot be done under Clause 4 of the Trust Deed without ... Member's written consent; and

... a deferred member ... has a statutory entitlement to a minimum preserved benefit under the Pensions Act ... and this ... cannot be unilaterally reduced by the CRC or the Trustee.

It is not, therefore, possible, in the current circumstances for the CRC to revisit the pension calculations already in train under the CRC Plan. However, as stated above, in the event of the repayment or recovery of salary paid above the properly reduced salary, it may then be possible to revalue the CRC Plan benefits.

It is understood that CRC, IPT and the administrator will examine the process for the future declaration of pensionable salaries by the CRC

5.10 Former CEO Termination Agreement

In previous correspondence to the Director General of the HSE, the Interim Administrator outlined the elements of a termination agreement between the CRC and its Chief Executive Officer (See Appendix 21). The Director General subsequently brought this correspondence to the attention of the Chairman of the Public Accounts Committee (See Appendix 22).

The available evidence points to the CRC Board being more concerned about the company's independence and the attention that revealing the level of the CEO's remuneration would attract rather than the level of remuneration itself. Requests from the HSE, commencing in 2009, for details of the CEO's remuneration arrangements were initially stonewalled and ongoing media queries were rebuffed on the basis that the CRC was *a private and independent organisation*. However, by

early 2013, it was recognised by the CEO that, the CRC as a charity, could not continue to resist demands for greater disclosure and transparency in relation to his salary. It was then that he undertook to put forward an *exit strategy* for the approval of the Board (See Appendix 23). The terms of the *exit strategy*, as presented to the Chairman by the CEO, were fully incorporated, without amendment, into the *Termination Agreement* approved by the Board.

The exit strategy may be summarised as follows:

- A. The cost of the CEO's remaining in office to his normal retirement age of 65 in November 2019 (notwithstanding that an allowance was made in the Funding Proposal to allow one person (i.e. the CEO) to retire at age 62 in November 2016) was calculated as follows:

Year	Annual Salary €223,849	Travel Allowance €19,016	Employer Pension @25%	Employer PRSI @10.75%	Total Cost
2013	120880	10269	30220	14098	175467
2014	223849	19016	55962	26108	324935
2015	223849	19016	55962	26108	324935
2016	196248	16671	49062	22889	284870
S/Total (To Nov. 2016)	764826	64972	191206	89203	1110207
2016	27601	2345	6900	3219	40065
2017	223849	19016	55962	26108	324935
2018	223849	19016	55962	26108	324935
2019	196248	16671	49062	22889	284870
Total	1436373	122020	359092	167527	2085012

- B. On the basis that costs of €2.085m would be avoided by the CRC, the following could then be funded:

- Payments to Retiring CEO as follows:

	Pension @ €80,000	Employer + Employee Pension Contrb. @ 35%	Once-off Payment	Total
2013	43200	42308	200000	285508
2014	80000	78347		158347
2015	80000	78347		158347
2016	70136	68687		138823
Total	273336	267689	200000	741025

- Salary of Replacement CEO as follows:

	Salary @ €125,000	Employer Pension @ 11%	Employer PRSI @ 10.75%	Total
2013 (From June)	67500	7425	7256	82181
2014	125000	13750	13438	152188
2015	125000	13750	13438	152188
2016	109587	12054	11780	133421
S/Total (To Nov.)	427087	46979	45912	519978
2016	15413	1696	1658	18767
2017	125000	13750	13438	152188
2018	125000	13750	13438	152188
2019 (To Nov.)	109587	12054	11780	133421
Total	802087	88229	86226	976542

Having funded the payments to the retiring CEO and the replacement CEO, savings of €0.367m were to accrue to the CRC.

In a nutshell, the existing CEO would, under the proposed exit strategy, terminate his employment with the CRC in June 2013; a new CEO would be recruited at 50% approx. of the cost of the previous CEO, but with the same range of duties; the existing CEO would receive the benefit, by way of direct and indirect payments, of the bulk of the savings made, and a relatively small balance in savings flowing to the CRC. The major difficulties with the package, from an employer standpoint were:

- The inclusion of the full period to November 2019 in the calculation of costs avoided is not appropriate as provision had already been made for the CEO to avail of early retirement under the Funding Proposal. If the costs and savings are compared for the period 2013 -2016, a loss of €0.151m is sustained;
- Calculations are based on an incorrect and overstated salary for the retiring CEO as the public sector pay cuts have not been fully applied. The application of the public sector cuts to the CEO salary would, practically, achieve the similar savings; and
- The impact of the package on the funding of the CRC Plan was not factored into the calculations (i.e. the difference between retirement on a pensionable salary of €233,849 and €184,704 is of the order of €0.670m to €0.800m).

The Board accepted the net savings of €0.367m being generated over a six and a half year period (i.e. to November, 2019 when the CEO would have reached his normal retirement age of 65) as sufficient financial justification for the granting of the package in 2013.

The retirement was, on the basis of all the documents available, voluntary and the resigning CEO was immediately appointed to the Board of Governors of the CRC. Given that the Haddington Road cut was imminent, time was on the side of the Board rather than the CEO in terms of fully exploring a range of options to secure the fairest deal for the CRC and the CEO.

There is no doubt that the level of the CEO's remuneration, in the light of the previous correspondence and discussion with the HSE and the general hardening of public pay policy in a time of austerity, represented the most serious governance issue to be faced by the CRC's Board of Governors and, yet, they chose not to inform the HSE of the proposed retirement package. To add fuel to the fire of HSE discontent and further sour the relationship with its main funder, the Board of the CRC, in the undoubted knowledge of the commitments given to the HSE proceeded to offer, without the prior approval of the HSE, the CEO position to a former Board member (retiring from the Board only to allow his name to be considered for the position of CEO).

5.11 Recruitment and Resignation of Replacement CEO (2013)

The CRC, in 2009, gave a commitment to the HSE that, as and when management posts fall to be replaced through retirement or resignation, the salary of the incoming replacement will be discussed and agreed with the HSE. The discussions and correspondence between the CRC and the HSE on the appointment and salary of a new CEO in 2013 is already outlined and discussed above. In summary:

- The CRC board approved a mechanism for the appointment of a new CEO;
- Amrop Strategis was appointed to conduct the search for a replacement CEO;
- The Chairman informed the HSE that a contract with Amrop Strategis had been signed to *handle the recruitment* of a new CEO and the HSE would be kept informed of progress;
- The HSE requested the completion and submission of relevant documentation, including a Business Case;
- The Board agreed that three of the Governors would comprise the selection panel for the internal process for the recruitment of a CEO;
- The Board approved the recommendation of the Recruitment Sub-Committee to appoint a former Board member as CEO from 1 July 2013 and to finalise contract details *having regard for the legal advice to hand*;
- The HSE formally advised the Chairman that *there is no approval to proceed with the filling of this [CEO] post and the process for recruitment must be stopped with immediate effect*;
- The Board believed that the approach taken *fully complies with the four Compliance Requirement criteria and is in accordance with the general intention for organizations to manage these issues internally*;

- The HSE sought documentation from the CRC, including the CEO recruitment file and confirmation that the recruitment process had ceased and that no appointment would be confirmed pending a formal review by the HSE;
- The appointment of a CEO was confirmed by the CRC as made under a contract of employment entered into by the CRC and it was stated that *we [Board] are satisfied that our selection process was fair and correct*;
- The Amrop Strategis file was furnished to the HSE;
- The HSE sought clarifications on the terms of appointment of the CEO;
- The Board was informed that the Chairman, in a comprehensive response to the HSE, had answered *all outstanding queries* on the appointment of the CEO;
- The HSE informed the CRC that, in relation to the recruitment process, prior HSE approval was not sought and that the consideration of a former Board member's application in an internal process was *highly irregular*. The HSE confirmed that it was prepared to continue the alignment of the CEO salary with the Local Health Office Manager scale (€83,252 min. from 1 July 2013).

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. Its approach in consulting with the HSE on the replacement of the CEO and agreeing a salary was, at best, merely tactical (See Appendix 24). Nevertheless, the Board was, inexplicably, convinced that it was acting correctly and that the CRC was being *singled out* by the HSE (See Appendix 25).

It should be noted that, while the 10 June 2013 Board minutes show that the Board approved the recommendation of the Recruitment Sub-Committee to appoint the CEO from 1 July 2013 and to finalise contract details *having regard for the legal advice to hand*, the letter of appointment, had already been signed by the Chairman and new CEO on 29 May 2013 (See Appendix 25).

The HSE informed the CRC that it would only continue the alignment of the CEO salary with the Local Health Office Manager scale (€83,252 min. from 1 July 2013). The CEO had been appointed on a higher salary of €125,000 from 1 July 2013. This salary was, inexplicably in the light of the ongoing correspondence with the HSE, split with €98,348 being classified as *Agreed HSE* and €26,652 as *Private CRC*. The salary was reduced to the €98,867 with effect from 1 October 2013 and the splitting of the salary was discontinued.

The new CEO resigned on 6 December 2013 and made a payment to the CRC in respect of an overpayment of salary for the period July to September 2013.

5.12 Other Issues

A number of other issues, principally credit cards and ESS, the Research Trust and schools, were the subject of information requests and these issues are discussed briefly below.

5.12.1 CRC Credit Cards

Expenditure incurred on credit cards must be vouched and approved by a senior manager, usually the CEO. Generally, credit cards are, now, only used if the normal order/payment systems do not apply (e.g. on booking of flight or hotels). Two credit cards were used as company cards and expenditure incurred in the years 2009-2013 was as follows:

Year	Credit Card Expenditure €
2009	6,990
2010	6,487
2011	16,700
2012	1,196
2013	15,775

The spike in expenditure in 2011 is accounted for by an increased number of flights booked. Flights accounted for 61% of expenditure, of which 60% was in respect of a pilgrimage to Lourdes for CRC clients.

The 2013 expenditure includes transactions in respect of ESS amounting to €11,714 (74%) in respect and charged to ESS (See below).

At present, only one company credit card is in use and expenditure must be approved by the CEO. Overall, credit card expenditure is kept to a minimum and the approval and vouching of credit card transactions is robust and sound.

5.12.2 European Seating Symposium (ESS)

The ESS was established in 2007 to provide specific training in the field of Specialised Seating, Assistive Technology and Postural Management for children and adults with physical disabilities. The initial funding of €80,000 was by way of sponsorship by Invacare and Sunrise Medical. The ESS is a self-funding conference and any surplus accruing from a conference was retained by the CRC as follows:

Conference Surpluses

Year	Venue	Surplus
2007	Clontarf Castle, Dublin	€38,330
2009	Trinity College, Dublin	€63,281
2011	Convention Centre, Dublin	€8,630
2013	Burlington Hotel, Dublin	€73,152

The ESS provides an education and research forum for therapists, funders and others with an interest in providing seating support systems for people with complex disabilities.

A call for papers for each conference is made 15 months before the designated conference dates. The Scientific Committee (comprised of independent clinicians, funders and manufacturers from throughout Europe and the USA) is convened for each symposium to evaluate and decide on the papers to be presented. The timetable for the conference is then prepared and disseminated. Delegates then register to attend. The conference fee of €350 (early bird rate) has not been increased since 2009. On average, a conference, also, attracts €100,000 in sponsorship from private companies. By 2013, the conference attracted 800 international delegates, 50 suppliers and over 100 speakers.

The conference provides education for CRC staff and the CRC as a whole, with over 40 staff attending the conference in 2013. ESS gives the platform for CRC clinicians to develop their research and disseminate results to a large audience.

CRC staff involved in the organisation of the ESS do not receive additional remuneration and much of this work is undertaken outside normal working hours.

The ESS partners the following organisations:

- Trinity College, Dublin
- University of Limerick
- University of Ulster
- University of Pittsburg
- UPMC Pittsburg
- Sunnyhill Health Centre for Children, Vancouver, Canada
- IPCC, India
- Nordic Seating Symposium, Denmark
- Latin American Seating Symposium, Argentina

Committee members travel to other conferences and tradeshows to promote and grow the conference. The associated costs are funded from the ESS account and no public funding is used for this purpose. Public sector rates and rules apply and any travel requires the approval of the CEO of the CRC in the case of CRC employees. In 2013, three staff undertook a total of seven trips (UK 2, US 5)

ESS Study days were established to provide specific targeted education for smaller groups of clinicians across Europe. The ESS co-hosts each study day with a local group in the city hosting the event. The cost of a study day is funded by registration fees and any surplus generated returns to ESS. A total of 13 study days have taken place since 2007 (none held in 2013).

The ESS has entered into agreements with the International Seating Symposium Canada, International Seating Symposium USA, Latin American Seating Symposium and the Nordic Seating Symposium to provide an opportunity for clinicians to attend conferences to increase their knowledge in the area of specialised seating, deliver

talks in relation to clinical competencies within the CRC and to take part in research opportunities. ESS meets costs incurred under these agreements.

The ESS contributes to the professional reputation of the CRC; it provides educational and research opportunities for CRC staff; and it contributes financially to the CRC. On the other hand, the CRC does facilitate staff participation in the organisation of the ESS and it provides administrative support to ESS. Staff do travel abroad on behalf of the ESS and, while no cost accrues to the CRC, the current reality is that one person's important work trip abroad can be perceived as a *junket* by another. On balance, it may be in the CRC's interest to allow the ESS to operate at arm's length, independent of the CRC. This does not mean that staff cannot be involved in the ESS or that the CRC would not support ESS events but, it would mean that there would be a clear division between CRC and ESS in organisational and governance terms. The CRC's future policy for the ESS should be considered by the new Board.

5.12.3 The Research Trust

The Research Trust was founded in 1981 by the Medical Director of the CRC to stimulate, coordinate and facilitate research and developmental activities in the CRC and associated units and hospitals. An Ethics Committee approves research projects and ensures that projects apply the highest ethical standards.

In more recent years, funding for research has diminished and the CRC has committed to a maximum annual grant of €50,000 to the Trust. A range of projects is funded by the Trust, including the Dr. Ciaran Barry Scholarship and studies at masters level for a number of staff in relevant areas.

The Research Trust provides educational and research opportunities for CRC staff. Ultimately, clients will benefit from higher quality or more efficiently delivered services and, on that basis, the current level of financial support should continue.

5.12.4 Schools

The CRC is the patron for two schools attended by children, up to 18 years of age, with physical disabilities – 107 children attend at the CRC School Clontarf and 59 attend at Scoil Mochua Clondalkin. While CRC is the patron, the funding and staffing of the schools is the responsibility of the Boards of Management and the Department of Education and Skills. The Clontarf School is located on the grounds of the CRC at Clontarf and has a relatively modern infrastructure. CRC services are, also, provided on the Scoil Mochua campus and the CRC infrastructure on that site is to be replaced/upgraded under a capital project to be funded by F&S. The school facilities on the site are accepted to be in very poor condition and have received considerable public comment. The Interim Administrator has written to the Department of Education and Skills, as the funder of school capital projects, in relation to Scoil Mochua (See Appendix 26).

5.13 Interim Administrator Conclusions and Recommendations on CRC

In the context of the roles assigned to the Interim Administrator, the following is the position:

- Service Arrangement/Agreement obligations have been met and there are no apparent obstacles to the HSE and CRC entering into similar arrangements in 2014;
- 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 no issues of concern have been identified in the audit of the 2013 accounts. Legacy issues identified are confined to a small number of issues which have to be brought to a conclusion (i.e. executive team structure and pay in 2015 or earlier and the full application of public sector pay cuts to former CEO) and some general comments and observations are made to assist the Board throughout the report.

The following additional recommendations are made:

- Transactions, in excess of a threshold set by the Board or of a type determined by the Board, should be formally approved by the Board; and
- Advice to the Board regarding pensions, pension packages or other significant financial issues, should, preferably, be obtained from an independent source and the advice obtained and relied upon should be reviewed by the auditors as part of the audit.

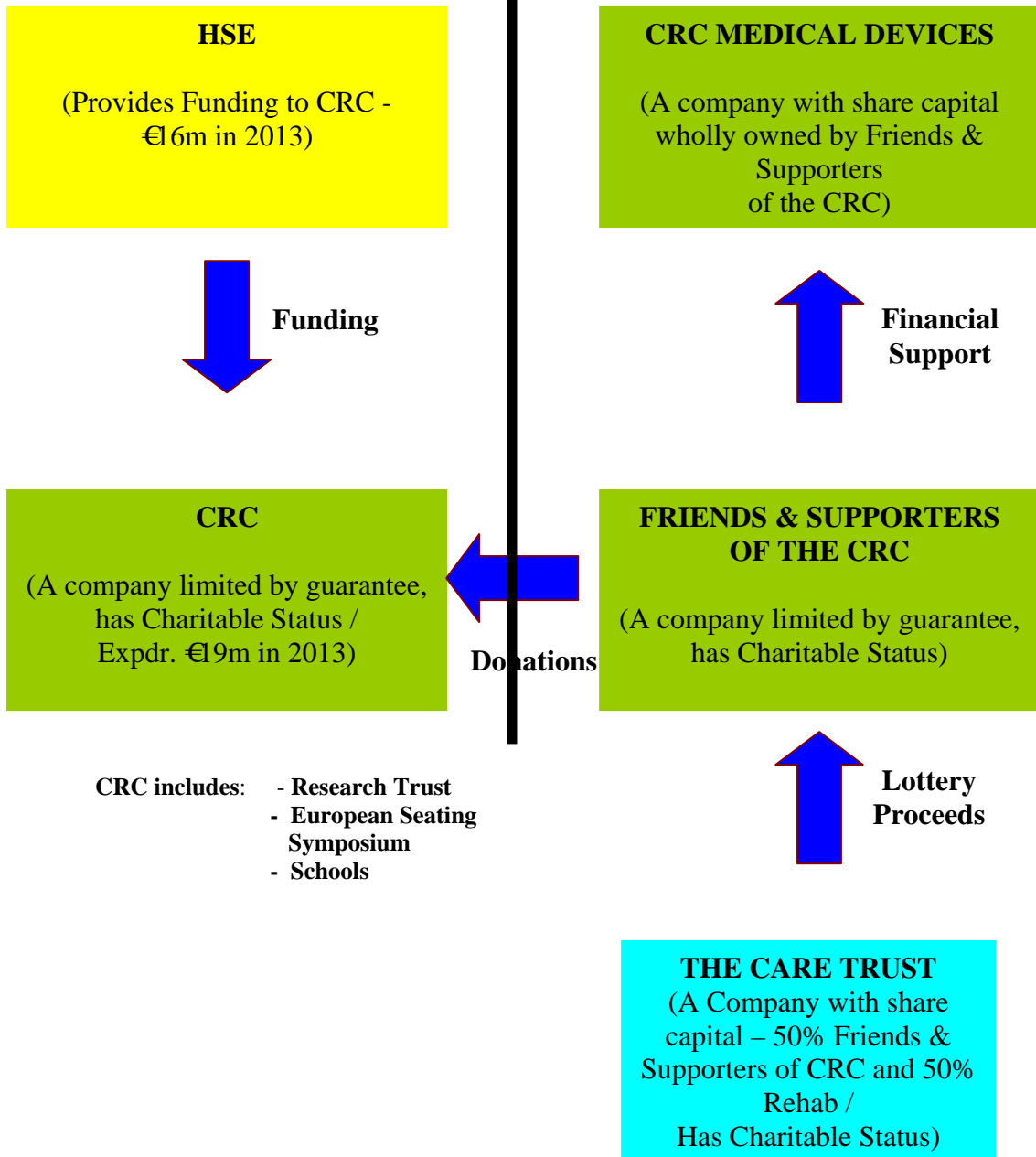
In relation to the pursuit of legacy issues, accountability lines are clear. The accountability line for CRC staff is to the CEO, the CEO reports to and is held to account by the Board of Governors of the CRC; the Board's responsibilities are spelled in Company Law. The CEO and the Chairman of the Board sign the Section 38 Arrangement with the HSE and are accountable to the HSE for performance under the arrangement. The Director General of the HSE is the Accounting Officer for the HSE and is accountable to the Oireachtas for expenditure under the HSE vote.

Chapter 6

Related Undertakings Governance Issues

HSE / Section 38 Organisation

Non – Section 38/39 Organisations



The CRC and its relationships with related undertakings are illustrated in the previous page.

Before discussing the individual undertakings related to the CRC, it is worth noting the common memberships of the CRC and related undertakings at board level. The memberships during 2013 are set out in Appendix 27. A number of practices are undesirable and not in line with best practice:

- the absence of an effective rotation policy has been referred to above in relation to the CRC but a similar situation pertains in the related undertakings;
- the appointment of the CEO as the company Secretary;
- the appointment of current or past board members to a number of related boards;
- an absence in formality in the approval and payment/transfer of monies between companies;
- and
- non-publication (in hard copy or internet) of an annual report.

The Boards of both the CRC and F&S are addressing the above practices in the context of their reviews of company governance being conducted in 2014.

Unlike the CRC, none of the related undertakings are in receipt of funds from the HSE and are not Section 38/39 organisations.

F&S receives lottery proceeds for the benefit of the CRC from The Care Trust and both companies have charitable status.

CRC Medical Devices is a wholly owned subsidiary of F&S and does not have charitable status.

Chapter 7 Friends and Supporters of the CRC (F&S)

7.1 Functions

The company's purpose, as set out in its Memorandum of Association, is as follows:

The objects for which the Company is established are:-

- (a) To erect, build, support, maintain and manage hospitals, day care centres, clinics and training centres for disabled and handicapped persons provided that these hospitals, day care centres, clinics and training centres are recognised by the Revenue Commissioners as being established for charitable purposes only.**
- (b) To train, nurse, educate and generally assist in the care, support and education of persons with physical and mental disabilities.**
- (c) To provide home help for disabled persons and to train nurses and other professionals in the care and support of disabled persons.**
- (d) To provide courses for the training of persons with physical and mental disabilities.**

In reality, F&S's only function is to provide financial support to the CRC. This involves the funding of capital projects, revenue expenses and other costs associated with the running of the CRC. The provision of such support is the only use of the company's funds that is permitted as F&S's main source of funds consists of its share of the proceeds of the lottery operated by The Care Trust for the benefit of the CRC, REHAB and the Mater Hospital Group. The company owns 50% of the issued share capital of The Care Trust.

The company, also, has a 100% owned subsidiary undertaking, CRC Medical Devices Limited. The principal activity of CRC Medical Devices was the distribution of mobility products. F&S agreed, in 2013, to underwrite the liabilities of its subsidiary for one year.

Funds held by the company at the end of the year amounted to €12.8m (2012, €12.2m). The company's Investment Committee makes recommendations to the Board on the strategy for the investment of funds held and monitors the performance of the portfolio of investments. Specific CRC capital projects for which funds are earmarked amount to €9m.

The key performance indicators monitored by F&S are the level of fund raising receipts (i.e. lottery proceeds) and the identification of suitable benefiting CRC projects. The key risks to the company relate to any underperformance in fund raising and in investments.

7.2 Governance

F&S is a company limited by guarantee and does not have a share capital. It has charitable status but it is not a Section 38 or Section 39 agency.

The company has no employees or staff costs. No remuneration or expenses are paid to the directors (Nil recorded in 2013 Accounts). Administrative support is provided to the company by the CRC. As already stated, F&S owns 50% of the share capital of The Care Trust Limited, an operator of pools and lotteries for charitable purposes. The cost of the shareholding is €63. This shareholding in The Care Trust was originally held by the CRC and it was acquired, at fair value, by F&S in 1997. Under the terms of the Articles of Association of The Care Trust Limited, the lottery income arising in that company that is attributable to F&S may only be used for the benefit of the CRC.

F&S owns 100% of the share capital of CRC Medical Devices. The cost of that shareholding is €2. The financial statements of that company for the year ended 31 December 2013 are not yet available. During 2013, an agreement was entered into for the disposal of the trade and certain assets of CRC Medical Devices. This agreement is currently under review by the new Board.

The Directors of F&S at the beginning of 2013 were Mr. H. Goulding, Ms. H. Jameson, Mr. J. Nugent and Ms. A. Rice-Jones. During 2013, Mr. J. Nugent replaced Mr. H. Goulding as Chairman and Mr. B. Conlon replaced Mr. P. Kiely as Company Secretary. The company held an AGM and one Board meeting in 2013. All Directors were, also, Governors of the CRC.

The Board of Directors of F&S resigned on 13 December 2013, at the same time as the resignation of the Board of the CRC, notwithstanding the obligation under Section 174 of the Companies Act 1963 for each company to have a minimum of two directors. The Interim Administrator put a process in place to appoint a new Board of Directors (See Appendix 28) and, by special resolution of the members of the company, new Directors were appointed to the Board in February 2014.

The new Board is already working on a range of issues including:

- The appointment of Additional Directors to address any gaps in expertise in the context of the Board's being in a position to deliver on its overall remit;
- The appointment of an Investment Committee and an Investment Policy Review; and
- Appointing directors to The Care Trust Board.

In the coming months the Board will:

- Examine, Review and Approve the 2013 Accounts;
- Conduct a review of CRC Medical Devices;
- Review the Articles of Association;

- Agree the amount and terms of funds to be released to CRC in 2014; and
- Review the company's Administrative Arrangements.

In the longer term the Board will pursue:

- The wind-up of CRC Medical Devices; and
- Determine its appropriate future relationships with the CRC and The Care Trust (including the possible transfer of functions to the CRC Board and the wind-up of F&S)

The Directors have agreed with the CRC to utilise that company's accounting resources to maintain the company's books and accounting records to ensure that the requirements of section 202 of the Companies Act 1990 are met.

The Interim Administrator, in discussions with prospective Directors, advised that, in the light of the need to provide greater transparency in relation to all sources of funds available to the CRC, the role of F&S would change. The key tasks for F&S in the immediate future will continue to be the management of the investment fund and working with the CRC to ensure the timely release of funds for approved capital projects and services. 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.

7.3 Finance

The minutes for 27 meetings from 1998 to 2013 show that the discussion at Board level related to Accounts, Appointment of Auditors, Appointment of Board Members, Investments, CRC Medical Devices, and Letters of Comfort – The Care Trust and CRC Medical Devices.

A number of big ticket items were dealt with by the F&S Board for which there was little or no narrative in the minutes.

(i) Loan Forgiveness – The Care Trust:
F&S have forgiven loans made to The Care Trust as follows:

Year Loans Forgiven	Amount of Loans Forgiven €m
2008	1.850
2009	2,020
2010	0.478
2011	0.385
2012	0.349
Total	5.082

Under the Gaming and Lotteries Act, 1956, one of the conditions for the granting of

a licence for a lottery is that not more than 40% of the gross proceeds shall be utilised for expenses. The corollary of this condition is, of course, that at least 60% should be received by the beneficiaries of the lottery. The Care Trust pays 60% to the beneficiaries but the expenses of operating the lottery exceed the 40% threshold. The resulting deficit is funded on a 50/50 basis by loans from F&S and REHAB. These loans have been forgiven by F&S and REHAB i.e. the loans are not repaid. The effect of above transactions was to reduce the lottery proceeds F&S ultimately received to less than the 60% paid, in the first instance, by The Care Trust as required under the Gaming and Lotteries Act, 1956. The loans forgiven by F&S, matched by loans forgiven at the same time by REHAB, offset costs incurred by The Care Trust in building up and operating the lottery.

In 2013, F&S recorded lottery proceeds amounting to €1,736,528 (2012, €1,816,028) from The Care Trust, which represented 60% approximately of the gross lottery proceeds. Debtors, at the end of 2013, included a loan of €0.270m advanced to The Care Trust by F&S which is now to be repaid in 2014 - the F&S will, therefore, retain the 60% of lottery proceeds for 2013.

It should be noted that, under the new *General Scheme of the Gambling Control Bill 2013* which will update or replace the Gaming and Lotteries Act 1956, a minimum of 25% of the proceeds of sales shall be allocated to charitable or philanthropic causes. (The proceeds allocated by The Care Trust to beneficiaries, net of any loans forgiven, exceeds this revised minimum which does not, as yet, have the force of law.)

(ii) Loan to CRC of €3.000m in 2012:

In 2012, the company advanced an unsecured interest free long term loan to the CRC to assist in financing that company's pension liabilities. A provision was made in 2012 for the amount advanced. The CRC Board first approved an estimated lump sum payment (€2.500m to 3.000m) into the CRC Plan in 2009 and, subsequently, it approved the actual amount for payment as €3.000m in 2012. However, there is no corresponding formal approval by the Board of F&S to advance a loan of €3.000m to CRC and no written loan agreement setting out the terms of the loan is in place.

(iii) Repayment of €0.550m in 2013:

In 2013, F&S provided a letter of support to the Directors of CRC Medical Devices which confirmed its financial support for a period of at least 12 months from the date of signing of that company's 2012 financial statements (i.e. 13 May 2013) and it made a payment of €0.550m to the CRC on behalf of CRC Medical Devices on foot of this undertaking. This amount was in settlement of all funds advanced to CRC Medical Devices by CRC.

In addition, an amount of €0.050m was paid to CRC Medical Devices to enable it to discharge other liabilities and make further payments to creditors of CRC Medical Devices as may be required. The total of the liabilities of CRC Medical Devices is uncertain at the time of writing of this report.

(iv) Donation of €0.700m to CRC in 2013:

Funds of €0.700m (2012, €0.400m) were advanced to the CRC to assist in its operations. These funds enabled the CRC to finance the termination agreement entered into with its CEO. As in the case of other donations to the CRC, the minutes make no reference to the approval of donations to the CRC but they are shown in the annual accounts.

F&S must, with the funds already accumulated (€12.8m at the end 2013) and future lottery proceeds yet to be received, continue to financially support the CRC. F&S has, already, committed to funding the two CRC capital development projects currently in planning:

CRC Day Centre, Swords	€3m
CRC Clinical Services Building, Clondalkin	€6m

The CRC Day Centre, Swords has been in development for a number of years. It is now a joint HSE-CRC project but is still dependant on agreement from the HSE to allocate revenue costs to support the running expenses of the Day Centre once built.

The CRC Clinical Services Building, Clondalkin project is in Stage 1 of Public Works Contract for Building Works. It is intended that the building will replace existing inadequate facilities, temporary buildings and ancillary structures on the Scoil Mochua campus in Clondalkin and will provide a full range of medical and therapy services to those with disabilities in the local region.

The 2012 and 2013 finances are summarised below:

	2013	2012
	€	€
Revenue:		
Lottery proceeds – The Care Trust Limited	1,736,528	1,816,028
Expenditure:		
Forgiveness of Loan to The Care Trust Limited	–	(349,000)
Professional fees including audit	(3,605)	(3,543)
Provision against loan to Central Remedial Clinic	–	(3,000,000)
Payments to:		
CRC	(700,000)	(400,000)
CRC on behalf of CRC Medical Devices Limited	(550,000)	-
CRC Medical Devices Limited	(50,000)	-
	<hr/>	<hr/>
Operating surplus/(deficit) for the year	432,923	(1,936,515)
Interest receivable	6,996	73,483
Increase in market value of investments	363,988	105,378
	<hr/>	<hr/>
Surplus/ (deficit) on ordinary activities for year	803,907	(1,757,654)

Surplus brought forward at beginning of year	12,240,406	13,998,060
	<hr/>	<hr/>
Surplus carried forward at end of year	13,044,313	12,240,406
	<hr/> <hr/>	<hr/> <hr/>

	Opening balance 2013 €	Cash flow €	Closing balance 2013 €
Investments	11,960,532	378,747	12,339,279
Cash at bank	294,238	212,625	506,863
	<hr/>	<hr/>	<hr/>
	12,254,770	591,372	12,846,142
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7.4 Conclusions and Recommendations in relation to Friends and Supporters of the CRC (F&S)

The acquisition of the ownership of the 50% shareholding in The Care Trust by F&S enabled the funds generated, through the lottery for the benefit of the CRC, to be accumulated and recorded separately from other funding sources, principally HSE funding. The HSE was not aware of the funds being accumulated and, technically, the CRC may not have been required to declare funds held by another company. However, the only rationale for the establishment of F&S was to maximise the HSE funding of CRC services – the inference drawn being that if the HSE had been aware of the level of funds available, it would have reduced its annual allocation to the CRC. 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.

It will, now, be a matter for the CRC and F&S Boards to ensure that funds raised for the benefit of the CRC by The Care Trust are channelled directly to the CRC and for the funds that have been accumulated to be properly and efficiently invested in CRC services and infrastructure.

The availability of and easy access to F&S accumulated funds may have coloured decision making by the Board of the CRC in relation to pay, pensions and other matters.

Given that in any year the number of transactions is relatively small, a formal system of approval of all transactions in advance by the Board should be implemented.

Chapter 8 Central Remedial Clinic Medical Devices Limited (CRC Medical Devices)

8.1 Functions

The principal activity of CRC Medical Devices was the distribution of mobility products within Ireland. The company had been accumulating losses (€0.088m in 2011, €0.066m in 2012 and, at 31 December 2012, it had a deficit on its aggregate capital and reserves of €0.462m). CRC Medical Devices ceased trading in 2013.

8.2 Governance

The company was incorporated in 2006. In 2007, the shares in the company held by the CRC were transferred to F&S. F&S owns 100% of the share capital of CRC Medical Devices since 2007. The cost of that shareholding is €2.

CRC Medical Devices does not receive HSE funds and it does not have charitable status.

During 2013, an agreement was entered into for the disposal of the trade and certain assets of CRC Medical Devices. This agreement is currently under review by the Board of F&S.

The Directors of the company at the beginning of 2013 were Messrs. P. Kiely, V. Brady, J. Nugent and H. Goulding. During 2013, Mr. B. Conlon replaced Mr. Kiely on the Board and as Company Secretary.

All of the members of the Board of Directors of the company and the Company Secretary purported to resign on 13 December 2013, at the same time as the resignation of the Board of the CRC (See Appendix 1). The company has an obligation under Section 174 of the Companies Act 1963 to have a minimum of two directors. The Interim Administrator does not have a role in relation to CRC Medical Devices but, for the purposes of providing clarity to its Directors, did request the company Auditors to bring to the attention of its Directors and Company Secretary their obligations and seek their assistance and participation in ensuring the orderly wind-up of the company (See Appendix 29). In the event of the Company Secretary and Directors not cooperating, given they have the primary knowledge of agreements entered into and of the company operations, an unsatisfactory situation will be rendered extremely difficult, particularly for the new Board of F&S.

The link with the CRC from the inception of the business idea, business plan, formation of the company and representation on the Board of Directors was ever present. The Chairman and CEO of the CRC were, respectively, Chairman and Company Secretary of F&S and Chairman and Company Secretary of CRC Medical Devices. The Company Secretary signed, *with the authority of and on behalf of the*

Friends and Supporters of the Central Remedial Clinic, the Assets Transfer Agreement in 2013.

The financial statements of the company for the year ended 31 December 2013 are not yet available and final losses cannot be quantified. In the final analysis, losses sustained by CRC Medical Devices will be a drain on F&S resources and on the funds raised for the benefit of the CRC.

8.3 CRC Staff Role and Credit Cards

Some senior managers at CRC did play a role in CRC Medical Devices operations with the knowledge and approval of the CRC CEO and Board. The CRC charged CRC Medical Devices *management team fees for the set up time spent on CRC Medical Devices* in 2007. An allowance continued to be paid to one CRC employee in respect of the employee's *involvement with Medical Devices Ltd*. The cost of the allowance and related employer PRSI and pension contributions was charged to CRC Medical Devices until November 2008.

CRC Medical Devices issued four credit cards – three were held by CRC Medical Devices employees and one by a CRC employee for expenses incurred in the name of CRC Medical Devices, mainly travel. All cards are now out of use.

The total of the transactions on the CRC Medical Devices credit cards for 2013 was €25,121. These transactions related to travel (45%), car hire and motor expenses (30%), computer and office (13%) and other (12%). The vouching and certification of credit card transactions was a matter for CRC Medical Devices. However, the use of a card by a CRC employee, even if transactions related to expenses incurred on behalf of CRC Medical Devices and were vouched, was not appropriate.

8.4 Conclusions and Recommendations in relation to CRC Medical Devices

The process of winding up this company in an orderly manner should proceed, preferably with the assistance of the Directors and Company Secretary.

On a general note, the advantage of a private company is that a business venture can be pursued and, at the same time, the exposure to financial losses is limited. Increasingly, a commercial venture is supported by a financial plan, properly evaluated by the institution providing the investment funds. In the final analysis, no matter how extensive the planning, profits are made in some cases and, in other cases, losses are sustained and the company fails. Public odium should not be heaped on an organisation because it loses money on a business venture. However, an organisation with charitable status and relying on charitable funds to fund a commercial venture should be aware of the increased risks to its funding base and reputation when it undertakes projects outside its core activity and competence. The risks are even greater if it is not clear to those donating that funds may be used for investments in such projects.

Chapter 9 The Care Trust

9.1 Functions

The Care Trust is an operator of pools and lotteries for charitable purposes. The lottery organised by The Care Trust is for the benefit the CRC, REHAB and the Mater Hospital.

9.2 Governance

F&S owns 50% of the share capital of The Care Trust. The cost of the shareholding is €63 and the shareholding in The Care Trust was acquired, at fair value, in 1997, from the CRC. However, under the terms of The Care Trust's Memorandum and Articles of Association, the lottery income arising in The Care Trust that is attributable to F&S may only be used for the benefit of the CRC. The CRC, therefore, has access to significant funds raised through The Care Trust lottery. As stated above, F&S holds and invests the funds received and, ultimately, releases the funds to the CRC.

The F&S Board nominates persons for appointment to The Care Trust Board of Directors. Messrs. J. Nugent, P Kiely, and H. Goulding were the F&S nominees to the Board at the beginning of 2013 and Mr. B. Conlon joined the Board in 2013. All of the F&S nominated members of the Board of The Care Trust resigned from that Board on 13 December 2013, at the same time as the resignation of the Board of F&S. These resignations posed particular difficulties for The Care Trust as at least one F&S nominee is required for The Care Trust Board and its committees to conduct business – F&S and REHAB shareholdings ranking *pari passu* in all respects. With the appointment of a new Board of Directors to F&S, it was possible for that Board to nominate two of its members for appointment as new Directors to The Care Trust in February 2014.

The Care Trust has charitable status but it is not a Section 38 or Section 39 agency.

The Board of The Care Trust has established an Audit Committee and a Remuneration Committee and F&S is represented on both committees.

The Care Trust website is www.thecaretrust.ie

9.3 Finance

The Care Trust publishes an abridged set of financial statements which meets Irish company law requirements. The statements (in effect, a balance sheet and notes) do not give details of the funds generated by the lottery, the disbursement of the lottery proceeds, the costs of operating the lottery or remuneration levels for senior managers. A shareholder surplus is recorded as at 31 December 2012. (The accounts for 2013 are not yet published.)

The forgiveness of loans made to The Care Trust by F&S has been discussed in the F&S section above and it was noted that the total of forgiven loans was €5.082m in the period 2008 – 2012 and the effect of loans being forgiven was to reduce the lottery proceeds ultimately received by F&S to less than the 60% paid, in the first instance, by The Care Trust as required under the Gaming and Lotteries Act, 1956. The loans forgiven offset costs incurred by The Care Trust in building up and operating the lottery.

It has, also, been noted above that, in 2013, F&S recorded lottery proceeds amounting to €1,736,528 from The Care Trust, which represented 60% approximately of the gross turnover raised. Debtors, at the end of 2013, include the loan of €0.270m advanced to The Care Trust which is to be repaid in 2014 - F&S will, therefore, retain the 60% of lottery proceeds for 2013.

While as previously noted, the acquisition of the ownership of the 50% shareholding in The Care Trust by F&S enabled the funds, generated by The Care Trust for the benefit of the CRC, to be accumulated separately from other funding sources, it can be argued that, irrespective of who owns the shares in The Care Trust, the beneficiary (i.e. CRC) should receive the funds generated from the lottery directly from The Care Trust.

As in the case of other charities and lotteries, the current fundraising environment is proving difficult.

9.4 Conclusions and Recommendations in relation to The Care Trust

The Care Trust has built a successful lottery and has invested in an IT infrastructure to sustain its lottery operations into the future. It has consistently generated significant funds for the benefit of the CRC.

The Care Trust has its own governance arrangements and management structure.

The Care Trust is not, however, immune from the current difficulties faced by charities and lotteries. It is only through greater transparency on the part of The Care Trust itself and its shareholding organisations that the public will continue to support its core lottery business.

The CRC Board is committed to conducting its business in an open and transparent manner and recognises that this approach is required if public confidence in the CRC and the wider charity sector is to be regained. The CRC Board, in cooperation with F&S Directors and The Care Trust, must be able to demonstrate how funds provided to the CRC are utilised and, more importantly, give a breakdown of how every euro paid into the lottery is spent. The Care Trust should, therefore, be urged to go beyond the minimum company law requirements and publish more details of lottery proceeds and associated expenses in a manner that does not compromise commercial confidentiality. In the meantime, The Care Trust should furnish the CRC,

as a beneficiary of the lottery, with an annual statement confirming amounts allocated and related calculations in relation to the disbursement of each year's lottery proceeds.

Chapter 10 Final Comments

...nothing except a battle lost can be half so melancholy as a battle won.

Duke of Wellington

There are no winners in the saga leading to the appointment of an Interim Administrator. This was not so much a battle as a series of skirmishes between the HSE and the CRC in relation to general compliance with Section 38 obligations and related commitments given by the CRC. The CRC managed to buy time in 2009 and, effectively, postpone full compliance. The replacement of the senior management staff was to provide the opportunity to deal with outstanding pay and compliance issues. From 2009, the Section 38 process tightened and it was accompanied by HSE audits and greater public scrutiny. The CRC, during this time continued to deliver services within the Section 38 framework to the satisfaction of the HSE. However, the fundamental executive pay issue was not tackled; the opposite was the case as it exacerbated the situation in the manner in which it applied public sector pay cuts. The CRC's approach to the appointment of a new CEO is unfathomable in the context of the 2009 commitment.

The payment of the lottery proceeds to F&S allowed the funds raised to be *protected* from any potential or perceived threats from the HSE that those funds would supplement day-to-day revenue funding. Ultimately, the funds bankrolled CRC Board decisions in relation to pensions and executive pay. The investment of the funds in capital projects with revenue spending consequences requires HSE approval and the disclosure of funding sources would, in any event, have to be made. The opportunity cost associated with any delay in the investment of funds is borne by clients.

It is always easy to be wise after the event and those in the eye of a storm can feel aggrieved when the lens of hindsight is applied to their actions. However, the CRC had ample opportunity, over a period of years, to remedy the issues of concern to the HSE in relation to governance and executive pay but chose to maintain its initial stance i.e. to carry on regardless!

For the Section 38 sector as a whole, compliance, as recent events have shown, was a *slow bicycle race*. Unfortunately for the CRC, by its own actions, it emerged as the catalyst for ensuring a greater appreciation of the changed circumstances for the sector.

The actions taken and recommendations made in this report in response to the situation as it unfolded are considered to be proportionate. It is hoped that the new Board and CEO will be supported in their efforts to restore confidence in the CRC as a charitable organisation delivering quality services.

Some suggestions are made for the attention of the HSE in relation to the general operation of the service arrangements/agreements, in particular the usefulness of audited accounts in the absence of more sophisticated costing systems and the

replacement of multiple arrangements/agreements for national organisations with a single arrangement/agreement.

Appendices

Resignations of CRC and Friends and Supporters of the CRC Boards

From: [REDACTED]
Sent: 13 December 2013 16:38
To: Everyone (CRC)
Subject: Important Announcement

Resignation of the Board of Governors

All members of the Board of Governors of the Central Remedial Clinic have resigned with immediate effect. Members who were directors of Friends and Supporters of CRC, CRC Medical Devices or The Care Trust have also resigned these positions with immediate effect.

Following the resignation of the Board, the work of the dedicated staff and supporters of the Central Remedial Clinic to sustain, support, develop and protect the volume, quality and reliability of the services available to people with disabilities in Ireland deserves to continue as it has for more than six decades.

Central Remedial Clinic
Vernon Avenue
Clontarf
Dublin 3

Tel: 01 8542200

HSE Statement

Friday 13th December

Resignation of the Board of Governors of the Central Remedial Clinic

The HSE has received confirmation that all members of the Board of Governors of the Central Remedial Clinic have resigned with immediate effect. Members who were directors of the Friends and Supporters of CRC, CRC Medical Devices and the Care Trust have also resigned their positions.

The resignation of the Board followed a meeting with the HSE on Thursday afternoon at which the HSE requested the dissolution of the current Board of the CRC and its reconstitution with new Board members. In addition, it sought the resignation of any members of associated subsidiaries, including the Friends and Supporters of the CRC.

The HSE has appointed an administrator who will immediately take on the interim responsibility for overseeing the work of the CRC and for leading the introduction of new governance arrangements for CRC and its associated subsidiaries. In this regard, the HSE is also working with Boardmatch Ireland to put in place these new governance arrangements and to appoint new Governors.

The HSE will also be moving quickly to recruit a new CEO through the Public Appointments Service.

The HSE is committed to ensuring that the confidence of the clients and dedicated staff of CRC, together with that of the general public who have so generously supported the Clinic for more than 60 years, can be fully restored. This will ensure that that CRC can continue to provide the high quality care, treatment and development for children and adults with physical disabilities for which it is so well known.

-ENDS-

Issued by:

HSE Press Office

Dr. Steeven's Hospital

Dublin 8

Letter of Appointment - Interim Administrator

Stiúrthóir Ginearálta na Seirbhíse Sláinte
Urlár 1
Ospidéal an Dr. Steevens
Baile Átha Cliath 8

Director General of the Health Service
1st Floor
Dr. Steevens' Hospital
Dublin 8

Tel: (01) 635 2000
Fax: (01) 635 2211
Email: dgpa@hse.ie

16th December 2013

Our Ref: TO'B/SB
DG Ref: 286497

Mr. John Cregan
HSE
Block 4, Central Business Park
Clonminch
Tullamore
Co. Offaly

Re: Appointment as Interim Administrator at the Central Remedial Clinic (CRC)

Dear John,

I hereby confirm your appointment as Interim Administrator to the CRC and the Friends and Supporters of the CRC with effect from 13th December 2013.

You are appointed to the role of Interim Administrator by the HSE in response to the mass resignations of the Board of Governors of the CRC and their resignations as Board Members of the Friends and Supporters of the CRC. In your role as Interim Administrator, you will also carry out the duties normally performed by the CRC's Chief Executive Officer, that position also being vacant.

The role of Interim Administrator will have three strands:

- Ensuring, in the first instance, continuity in the delivery of the full range of services to the clients of the CRC, fulfilling current Service Agreement obligations and the conduct of the preparatory work for entering into a Service Agreement with the HSE in 2014;
- Overseeing the restoration of good governance arrangements, including the appointment of a Board of Governors and CEO to the CRC and a Board of Directors to the Friends and supporters of the CRC; and
- Identifying any legacy issues requiring the further attention of the CRC, Friends and Supporters of the CRC or the HSE, in particular issues related to salary rates and compliance with public pay policy, pension schemes and pension payments and an assessment of the possible future financial impact of the contractual obligations of related undertakings.

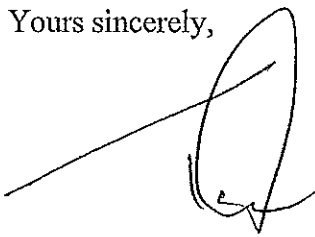
I anticipate that much of the work of the Interim Administrator will be completed in the first quarter of 2014 and that your appointment as Interim Administrator will not go beyond 31st March 2014. The HSE will provide all necessary indemnifications related to this position and the work of the Interim Administrator.

It should, also, be noted that the HSE is committed to making available any resources or expertise (e.g. accountancy, legal or governance) required to meet above timeframe.

You will report to me as the Director General of the HSE and, within two weeks of the termination of your role as Interim Administrator, submit a final report to me outlining the position in relation to each of above strands and any other relevant matters.

Thank you for agreeing to accept this role and I am confident that the many issues currently in the public domain can be resolved satisfactorily and in the best interests of those who use, depend upon or support our services.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Tony O'Brien', written over a horizontal line.

Tony O'Brien
Director General

Letter to CRC Staff - Establishment of an Interim Administrator's Office

To each member of staff

As you are aware, over the past month the CRC has undergone significant changes which have affected our clients and their families and you, the staff. One of the most recent changes is my appointment as the Interim Administrator of the CRC. I took up this appointment on Tuesday 17th December and will hold it until a new Chief Executive and Board is appointed in 2014.

The services provided by the CRC are extremely important to the individual service users and to their families. To the end of October this year there were 34,487 visits to the clinic by 3,724 clients who received 120, 094 interventions.

The facilities and expertise built up over 60 years has made the CRC one of Ireland's largest providers of services for people with disabilities and as such it attracts significant public funding and investment. Our focus in 2014 and future years must continue to be on fulfilling the needs of our clients and the enhancement of services.

The nature and complexity of these services requires staff to increasingly work in teams. Managerial and organisational skills must be provided by a CEO and his/her management team. A Board of Governors provides strategic guidance and leadership. The overall governance arrangements that define rules and responsibilities must be open, transparent and ensure accountability for the use of all funds. The CRC is now embarking on a process of rebuilding its governance arrangements to ensure it can deliver quality services in an ever-challenging financial environment and, as a leading provider of services to people with disabilities, earn the trust and confidence of those who fund services and the wider community.

I am confident that, with the appointment in 2014 of a competency based Board and a CEO through open competition, the CRC can move forward to the next phase of what has been a largely proud and successful organisational life.

Christmas is a time for celebration and the New Year a time of renewal. I wish you a happy and peaceful Christmas and look forward to our working together to make 2014 a success.

John Cregan
Interim Administrator

interimadministrator@crc.ie

To each member of staff :

January 2014

Since I wrote to you in December, An Taoiseach, Mr. Enda Kenny, TD and Minister for Health, Dr. James Reilly, TD paid a private visit to the CRC during which they met with staff, clients and their families. The Chairman of the PAC, Mr. John McGuinness, TD also visited the clinic. All three were impressed with the caring ambiance and the commitment displayed by staff and they expressed their strong support for the CRC as a national provider of services for people with disabilities.

Mr. Tony O'Brien, Director General of the HSE also visited the clinic and he conveyed the determination of the HSE to protect and sustain the CRC's services. He also stated that an *"important objective for the HSE is to ensure that the staff and the services the CRC provide are recognised as world class"*.

Progress on the Governance Related Appointments

I previously indicated that a CEO would be appointed through open competition and I am pleased to inform you that the Public Appointments Service intends to advertise this position next week.

Work on the appointment of the new CRC Board of Governors is continuing and I hope to be in a position in February to report significant progress on the completion of the process for appointing a new Board.

Service Arrangements 2014

Discussions on the 2014 Service Agreement with the HSE are to commence next week. It has been signalled that an overall 2.2% reduction in the HSE allocation is to be addressed in our 2014 budget.

I look forward to your continued support as we work through our difficulties.

Yours sincerely

John Cregan
Interim Administrator

Sample Client History/Case Study

Case Study: *Mary B.

** Mary's name was changed to protect her privacy*

Mary is 27 years old. She was first referred to the Central Remedial Clinic (CRC) when she was eight months old. She had been born prematurely and needed ventilation after her birth. Because of this she was closely followed up by the team in the Rotunda Hospital.

Mary aged 8 - 18 months

At eight months the team were concerned about her development and it was noted that she had signs of Cerebral Palsy (CP). The Rotunda team therefore decided to refer Mary to CRC services. Mary and her family started a physiotherapy (PT) programme one month after referral to the CRC. The aim at this stage was to help her mother to facilitate her development. Two months later Mary and her family had a meeting with a CRC paediatrician. He noted that Mary had made some small improvements since starting on the PT programme but that she had significant developmental delay. At a follow up paediatric assessment four months later, the consultant diagnosed CP spastic quadriplegia. It was also noted that Mary's weight gain was very poor. Because of this Mary and her mother started to see the CRC's dietician on a regular basis. The Social Work (SW) team became involved with the family at this stage to support them as they came to terms with the reality of having a baby with a significant disability.

Mary aged 2-3 years

At 2 ½ years Mary was referred for assessment to the psychologist in order to prepare for entry to CRC's Pre School. An assessment of her cognitive ability showed that she was functioning in the Mild Mental Handicap range.

Around this time it was noted that Mary had feeding issues; which is common in children with this level of disability. She was referred for assessment to the medical team in Temple Street Hospital and to the CRC's Speech and Language Therapy (SLT) department.

Mary aged 3-6 years

It was noted that Mary was making steady improvement with an increasing vocabulary and was able to feed herself small amounts. She attended PT, Occupational Therapy (OT) and SLT on a regular basis in the CRC. The team also visited the family at home when necessary. Because the family had no transport, the CRC transport team brought Mary and her mother to the CRC for all appointments.

Mary was also assessed for a wheelchair in CRC's Specialised Seating Department. Adequate wheelchair support is vital for children like Mary to reduce the risk of deformity.

At age three, Mary started in CRC's preschool and settled in well. Intensive therapy continued to be provided during the preschool day.

Mary's mother, who was living in very difficult social circumstance continued to need intensive support from the SW department

Mary started in CRC's primary school when she was four years.

Mary aged 7-10 years

Through her primary school years, Mary received considerable SLT assessment and intervention as she had significantly reduced speech intelligibility. She was first assessed for a speech augmentation system when she was 7 ½ years. Following intensive discussions with her mother a system was provided for Mary when she was nine years old.

Children like Mary with severe CP need careful observation of their hip joints. In CRC this is managed by the paediatrician, orthopaedic surgeon and PT working as a team. When she was eight years old, Mary had the first of a number of orthopaedic interventions to prevent hip dislocation. Following each surgical intervention; Mary required intensive daily Physiotherapy and Hydrotherapy. Mary commenced power mobility training with her class OT when she was nine years. As her control of the powered chair improved, her sense of independence and autonomy increased.

Mary aged 11-18 years

During Mary's early teens; her family situation deteriorated. The SW department organised for a CRC Home support worker to visit the home to provide a break for Mary's mother and some social support for Mary. In addition, the department provided intensive counselling for Mary's mother and arranged regular respite breaks for Mary. When Mary was 15 years she expressed escalating unhappiness with her situation and her feelings of social isolation. During this time, she was seen regularly by a CRC Psychologist to help her develop some strategies to cope with this.

Throughout her time in CRC School, Mary continued to receive regular OT, PT, Nursing and SLT services. She was also assessed by the Assistive Technology department to allow her to extend her use of a computer in a school setting. This helped to increase her level of independence.

When Mary was 17 years there were further issues around her feeding. She had a number of assessments and follow up interventions with CRC's specialist Feeding, Eating, Drinking and Swallowing (FEDS) Team.

Mary aged 18 years to the present day

Planning for life after school took place during Mary's last few years in school. Her OT looked at accessibility issues both inside and outside her home, discussed community involvement and her level of independence in leisure activities. The focus of therapy, SW and Psychological intervention at this time was directed towards ensuring that Mary would be as independent as possible when she left school.

Mary joined the CRC's Transition Programme when she left school. This two year programme is geared towards meeting the individual needs of school leavers with a significant disability. After two years, she progressed to CRC's Rehabilitative Training (RT) programme where she further developed her independence and other skills.

At present, Mary attends CRC's Day programmes. She chooses which activities she wants to be involved in and is actively involved in developing her own person centred plan based on what is important to her. CRC staff continue to support Mary to realise her goals.

Central Remedial Clinic

Clinical Services

29th April 2014

CRC Memorandum of Association

COMPANIES ACTS, 1963 – 2009

*Memorandum of Association**of***CENTRAL REMEDIAL CLINIC**(amended by Special Resolution passed on this 14th day of June, 2010)

1. The name of the Company (hereinafter called "the Association) is "CENTRAL REMEDIAL CLINIC."
2. The objects for which the Association is established are:-
 - (a) To provide, endow, furnish and fit out with all necessary furniture, instruments and other equipment and maintain and manage Clinics and reablement centres and training institutes for all disabled and handicapped persons.
 - (b) To provide accommodation, ~~car~~, nursing, physical therapy, attention and educational technical and vocational training for persons admitted to any premises under the control of the Association.
 - (c) To provide accommodation, care, nursing, physical therapy, attention and educational, technical and vocational training or facilities or assistance therefore for persons entitled to be admitted to any premises under the control of the Association or persons previously discharged therefrom (all of which classes of persons are hereinafter called and described as "disabled or handicapped persons") either in the homes of such persons or elsewhere as the Association may think fit.
 - (d) To erect, provide, equip, maintain, conduct and manage and to provide facilities and financial and other assistance for schools and workshops for the education and technical and vocational training and temporary or permanent employment for disabled or handicapped persons.
 - (e) To erect, provide, equip, maintain, conduct and manage and to provide facilities and financial and other assistance for buildings and other places for the physical training and recreational activities of qualified former patients.
 - (f) To employ medical, surgical, and pharmaceutical officers, nurses and attendants for the purposes aforesaid and to provide and supply all such medical, surgical and pharmaceutical supplies, appliances and things, and all such provisions and necessaries as may be required for the purposes aforesaid or any of them.

- (g) To employ instructors and directors for and provide all necessary or desirable or useful appliances, equipment, machinery, goods, supplies, materials and things for such educational, technical and vocational training as aforesaid and for such physical training and recreational activities as aforesaid.
- (h) To provide expert advice, courses of instruction, tuition, lectures, exhibitions and literature in relation to the above objects or any of them.
- (i) To act as Trustees of any property real or personal for any of these objects or for any other purpose that may seem conducive to the objects of the Association.
- (j) To educate and train persons in the nursing, care of and attention to the reablement and training of disabled or handicapped persons.
- (k) To purchase or otherwise acquire real or personal, moveable or immovable property of any kind whatsoever and wheresoever situate.
- (l) To build and maintain houses and alter and improve the same including any existing buildings and to provide the same with light, water, drainage, and all other necessaries.
- (m) To make such provision for disabled or handicapped persons as is by this Memorandum provided alike for persons who are unable otherwise to obtain the same and for persons who are able and willing and required to contribute to the cost thereof.
- (n) To provide premises, workshops, facilities and financial and other assistance for and otherwise to assist and facilitate in every way the sale and exchange of articles and goods produced by disabled or handicapped persons under the direction or instruction or with the assistance of the Association or its Agents or servants.
- (o) As far as may be lawful, to let or grant licences for the use of any part or parts of the land or buildings and in such divisions and manner as may be expedient.
- (p) To raise money for any of the above purposes by mortgaging or charging all or any such hereditaments or premises as may legally be mortgaged with capital sums or with terminable annuities for lives or years.
- (q) To accept, seek, and collect grants, subscriptions and donations by any means whatsoever (whether of real or personal estate) and devises and bequests for all or any of the purposes aforesaid and to sell and dispose of or (so far as permitted by law) to lease and accept surrenders of leases of and manage all real estate (including leaseholds) so received and not required to be or capable of being occupied for the purposes of the Association and generally to manage, invest and expend all moneys and property belonging to the Association.
- (r) To promote any other Company in the Republic of Ireland or any other part of the world for the purpose of taking over all or any part of the undertaking, property, assets, debts, liabilities and engagements of the Association.
- (s) To do all such other lawful things in any part of the world as are incidental or conducive to the attainment of any of the above objects.

- (t) To subscribe for, take, purchase or otherwise acquire and hold shares, stocks, debentures, bonds, obligations and securities issued or guaranteed by any public or private company, corporation or undertaking of whatever nature and wherever situated and to invest in or acquire by repurchase or otherwise any securities or investments of any kind.
- (u) To lend money with or without security to such persons, firms and companies upon such terms as may seem expedient and to guarantee the terms and provisions of any contract or other obligations of any person or companies and generally to give guarantees and indemnities for the obligations of any parties including the Company.
- (v) To guarantee, support or secure whether by personal covenant or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) of the Company or by both such methods, the performance of the obligations of, and the repayment or payment of the principal amounts of and premiums, interest and dividends on any security of any person, firm or Company.
- (w) To set up, invest in, subscribe for shares and/or to establish or procure the establishment of any business or enterprise, to run, operate, set up or organise any scheme or event or events or series of events including (without prejudice to the generality of the foregoing) games of chance, lotteries, sweepstakes, draws, raffles, the ultimate object of which is to raise funds to further the objects of the Association.

Provided that the Association shall not support with its funds any object, or endeavour to impose on or procure to be observed by its members or others any regulation, restriction or condition which, if an object of the Association, would make it a Trade Union provided also that in case the Association shall take or hold any property subject to the jurisdiction of the Commissioners of Charitable Donations and Bequests for Ireland, the Association will not sell, mortgage, charge or lease the same without such authority, approval or consent as may be required by law, and as regards any such property the Governors shall be chargeable for such property as comes to their hands and shall be answerable for their own acts, receipts, neglects and defaults and for the due administration of such property in the same manner and to the same extent as such Governors would have been if no Incorporation had been effected and the Incorporation of the Association shall not diminish or impair any control or authority exercisable by the High Court or the Commissioners of Charitable Donations and Bequests for Ireland over such Governors but they shall, as regards any such property, be subject jointly and separately to such control or authority as if the Association were not incorporated.

In case the Association shall take or hold any property which may be subject to any trusts, the Association shall deal with the same only in such manner as is allowed by law, regard being had to such trusts.

3. The income and property of the Association whencesoever derived shall be applied solely towards the promotion of the objects of the Association set forth in this Memorandum and no portion thereof shall be paid or transferred directly or indirectly by way of dividend, bonus, or otherwise by way of profit, to the members of the Association provided that nothing herein shall prevent the payment in good faith of reasonable and proper remuneration to any officer or servant of the Association or to any member of the Association in return for any services actually rendered to the Association nor the gratuitous distribution among or sale as a discount to subscribers of the funds of the Association, whether members of the Association or not of any books or publications whether published by the Association or otherwise, relating to all or any of the objects of the Association nor prevent the payment of interest at a rate not exceeding 10% per annum on money lent or reasonable and proper rent for premises demised or let by any member of the Association but so that no member of the Board of Governors shall be appointed to any salaried office of the Association or any office of the Association paid by fees and that no remuneration or benefit in money or monies worth shall be given by the Association to any member of such Board of Governors except payment of out-of-pocket expenses and interest at the rate aforesaid on money lent or reasonable and proper rent for premises demised or let to the Association: providing that the provision last aforesaid shall not apply to any payment to any railway, gas, electric lighting, water, cable or telephone company of which a member of the Board of Governors may be a member or any other Company in which such member shall not hold more than one hundredth part of the capital, and such member shall not be bound to account for any share of profits he may receive in respect of such payment.
4. No addition, alteration or amendment shall be made to the objects of the Company, such that there would be non-compliance with the requirements of Section 24 (1) (a) and (b) of the Companies Act, 1963, as provided for in the provisions of this Memorandum of Association for the time being in force unless the same shall have been previously submitted and approved by the Registrar of Companies.
5. The liability of the members is limited.

6. Every member of the Association undertakes to contribute to the assets of the Association in the event of its being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the Association contracted before he ceases to be a member, and of the costs charges and expenses of winding up, and for the adjustment of the rights of the contributories amongst themselves such amount as may be required, not exceeding ten shillings.
7. If upon the winding up or dissolution of the Association there remains after the satisfaction of all its debts and liabilities any property whatsoever, the same shall not be paid to, or distributed among the members of the Association that shall be given or transferred to some other Institution or Institutions having objects similar to the objects of the Association, and which shall prohibit the distribution of its or their income and property among its or their members to an extent at least as great as is imposed on the Association under or by virtue of Clause 3 hereof, such institution or institutions to be determined by the members of the Association at or before the time of dissolution or in default thereof, by such Judge of the High Court as may have or acquire jurisdiction in the matter and if an so far as effect cannot be given to the aforesaid provision, then to some charitable object.
8. True accounts shall be kept of the sums of money received and expended by the Association and the matter in respect of which such receipts and expenditure took place and of the property, credits and liabilities of the Association, and subject to any reasonable restrictions as to the time and manner of inspecting the same, that may be imposed in accordance with the regulations of the Association for the time being, shall be open to inspection of the Members. Once at least in every year, the accounts of the Association shall be examined and the correctness of the balance sheet ascertained by one or more properly qualified Auditor or Auditors.

WE, the several persons whose names and addresses are subscribed are desirous of being formed into a Company in pursuance of this Memorandum of Association.

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

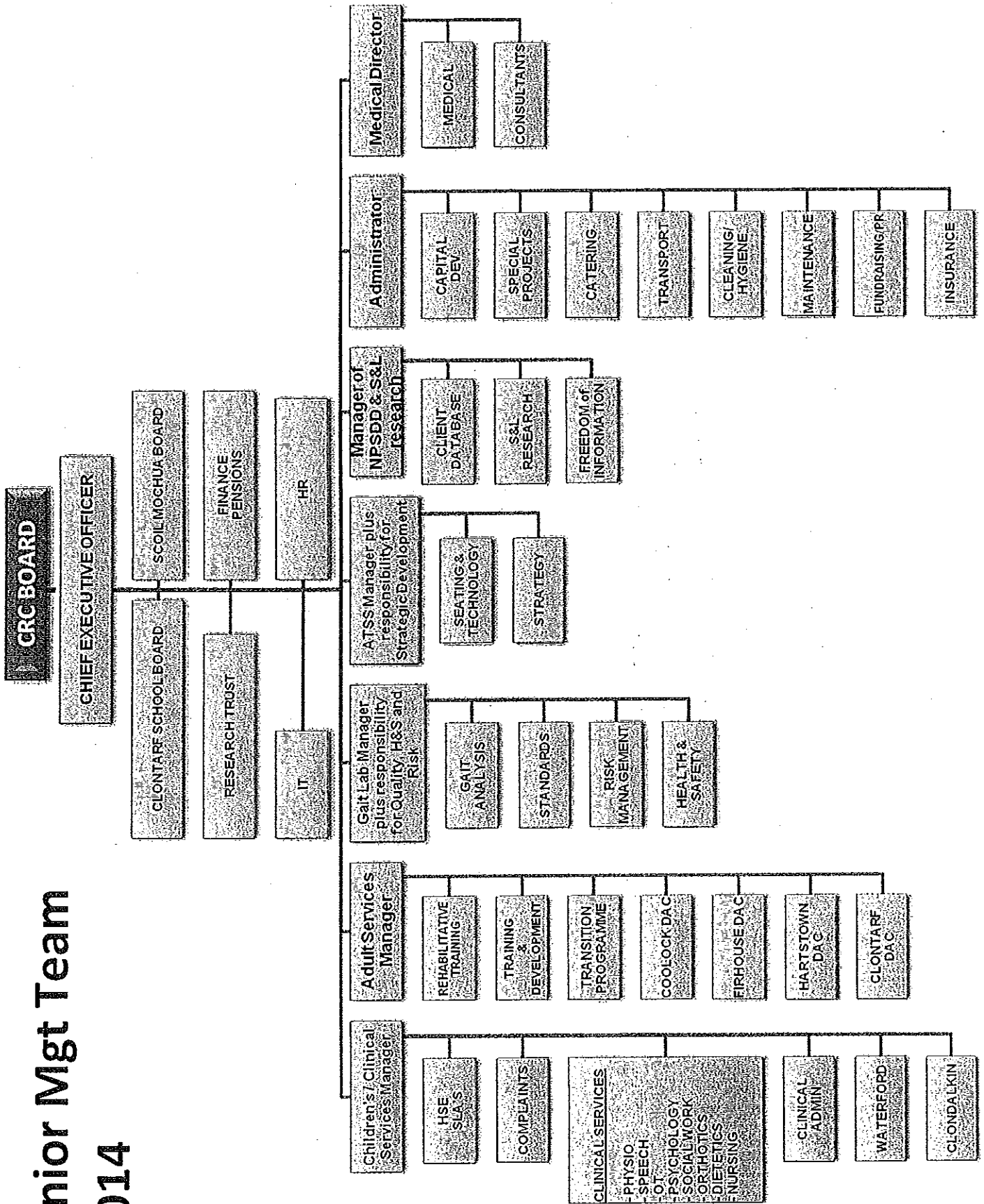
William Martin Murphy	...	35 Palmerston Road, Dublin. Trade Adviser to C6ras Tract6la Te6
Valerie H. Goulding	...	Dargle Cottage, Enniskerry, Co. Wicklow, Housewife
Geraldine C. Callaghan	...	"Maryland", Shankill, Co. Dublin, Housewife.
Edward A. McGuire	...	Newtown Park, Blackrock, Co. Dublin, Senator.
Richard F. Browne	...	13 Palmerston Park, Dublin, Chairman of E.S.B.
Nora Fitzgerald	...	"Danesfield", Allesbury Road, Dublin, Company Director.
Eva Murphy	...	Dartry House, Dartry Road, Dublin, Spinster.

Dated the 25th day of July 1953.

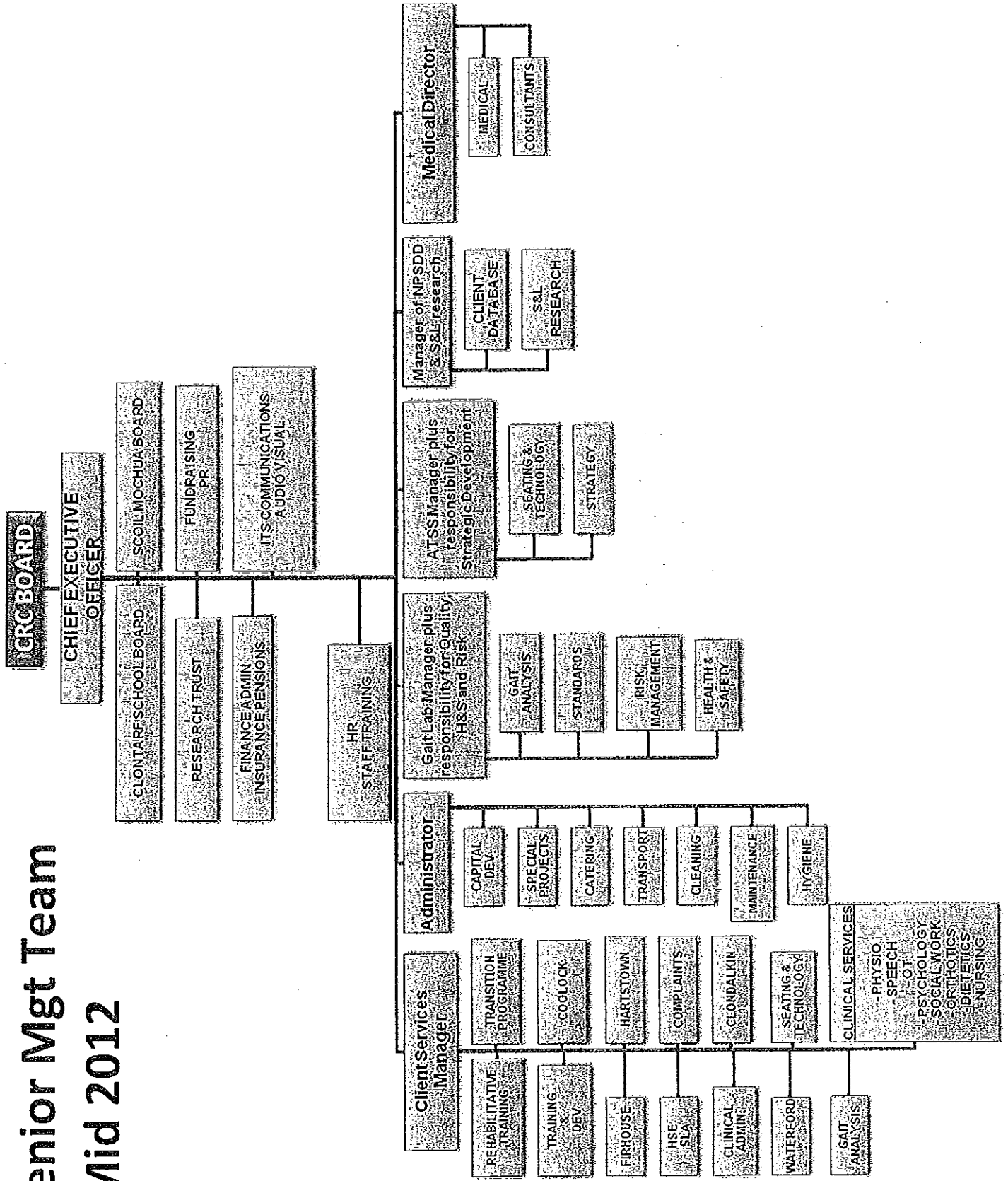
Witness to the above Signatures,

Sheila F. Cannon, The Lodge, Clonsilla, Co. Dublin.

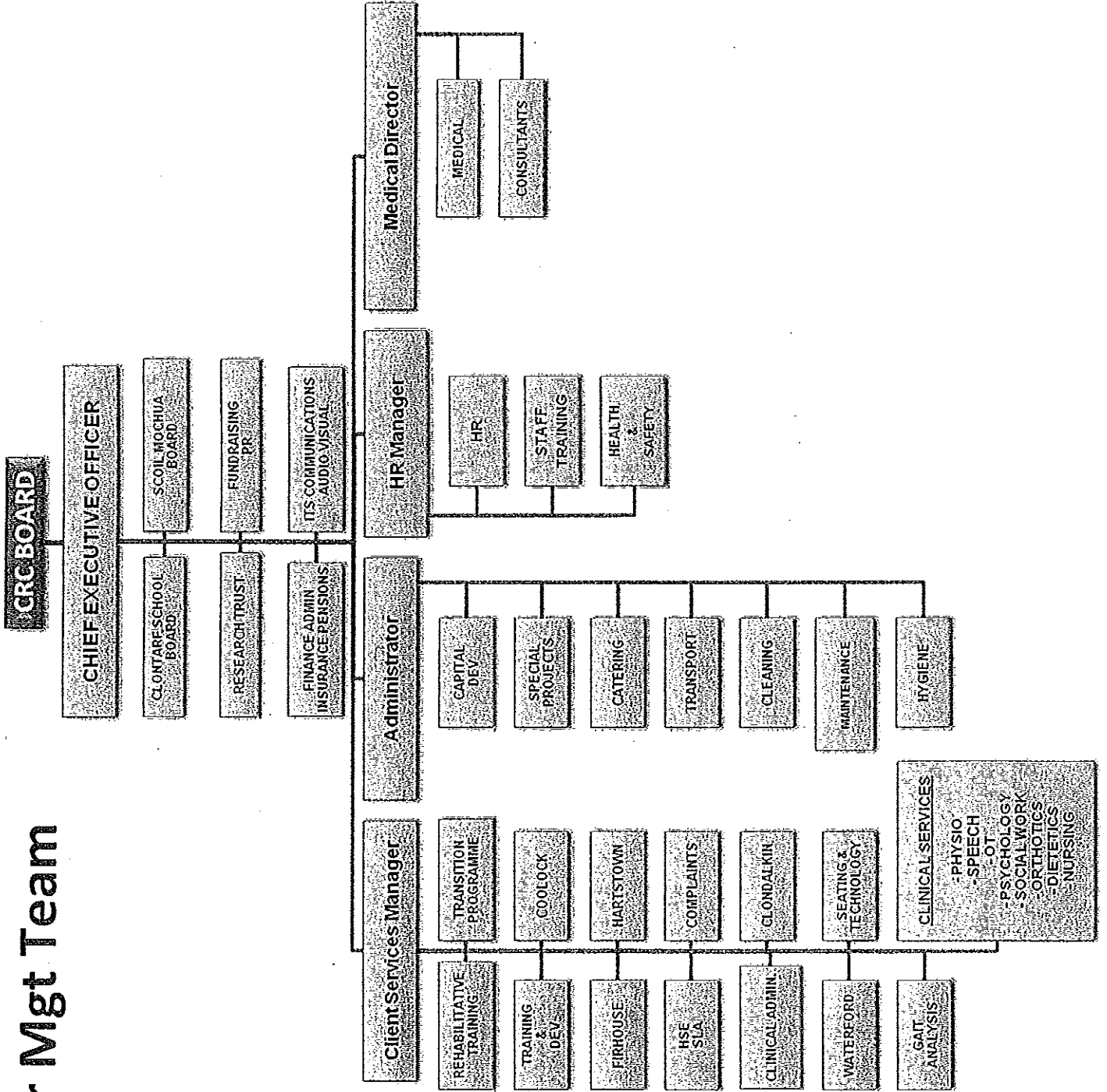
Senior Mgt Team 2014



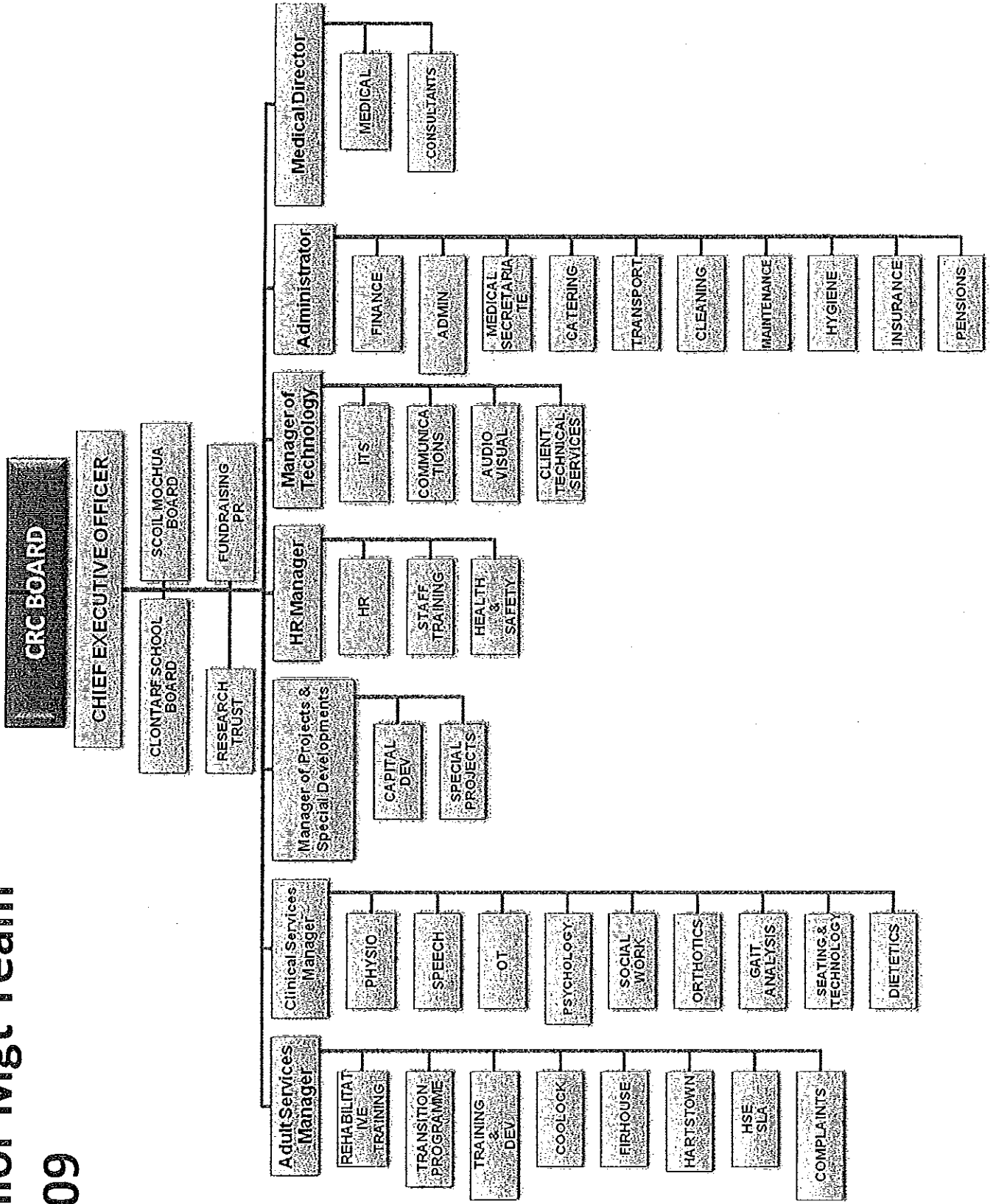
Senior Mgt Team Mid 2012



Senior Mgt Team 2011



Senior Mgt Team 2009



Explanatory Note to Members of the Company - CRC

Explanatory Note for Members of Central Remedial Clinic (CRC)

Members of the Central Remedial Clinic (CRC) are the original subscribers and any other persons admitted by the members or the Board of Governors ("the Board") in accordance with Article 3 of the Articles of Association. The current members, as confirmed by the Board of the CRC at its meeting in June 2012, are listed below:

Non Governor Members (3) Mrs. Geraldine Cruess Callaghan
Dr. Ken Holden
Mr. Tom Moloney

Governor Members (3): Mr. Vincent Brady
Ms. Hassia Jameson
Mr. Jim Nugent

As you know, all the Governors resigned as Governors in December 2013.

Under the terms of an agreement made between the Mater Misericordiae Hospital and CRC ("the Mater Agreement"), the Mater Misericordiae Hospital has a right to appoint two persons to the Board (Article 24) and the Hospital has already appointed Mr. John Cregan and Ms. Angela Fitzgerald to the Board. Both Mr. Cregan and Ms. Fitzgerald are senior managers with the HSE. These appointments are intended to be of a short duration and were necessary to ensure that CRC had at least two Governors.

If at any time the number of Governors falls below three, the remaining Governors have a right to appoint a maximum of four additional Governors to the Board (Article 23) and four persons are being appointed in accordance with this provision.

It should be noted that the continuing Governors could, under Article 35, act to appoint additional Governors to meet the minimum requirements (eight) for the Board. However, Article 35 is linked to Article 23 which specifies that the maximum of such appointments by the Governors is four.

The above six appointments enable the Board to meet the quorum requirements (four) for the transaction of business as specified under Article 34 but not the minimum number (eight) of Governors for a Board as specified in Article 21.

It is now necessary for the members of CRC to appoint additional Governors to bring the total number of Governors up to (and preferably above) the minimum number required. These appointments can be made by an ordinary resolution of the members under Article 22 which allows the members to appoint a maximum of seven Governors in CRC's current circumstances.

All the current members have now indicated that they are prepared to convene a meeting for the purposes of completing the process of appointing a new Board of Governors. Clearly the current unique set of circumstances was not foreseen in the Articles. A resolution in writing, signed by all the members for the time being entitled to attend and vote at a General Meeting, is regarded as being as valid and effective for all purposes as if the same resolution had been passed at a General Meeting of the company.

It is, therefore, open to the continuing members to complete the process of appointing a new Board in an effective, expeditious and simple manner by signing a resolution.

The following course of action, supported by legal advice, is proposed:

- Boardmatch to complete, by 4th March 2014, the process of identifying six potential Board members and each to confirm in writing that he/she is willing to be appointed as a Board member;
- Proposed resolution to be circulated for the attention and consideration of the members on 5th March 2014 and to include the names of proposed new Board Members (CVs will be supplied separately to members);
- Resolution to appoint all six named persons to the Board to be signed and returned by the members before 12th March 2014; and
- Arrangements for the new Board to meet will be made as soon as is practicable in accordance with the Articles.

The recruitment of a CEO is currently underway (closing date for applications was 27th February 2014). One of the first tasks of the new Board of Governors will be to consider any recommendations in relation to this important appointment. It would, therefore, be preferable to have a Board in place in sufficient time to allow its participation (through its Chair, for example) in the later stages of the recruitment process.

Upon the appointment of a CEO by the Board, the HSE Interim Administrator appointment will end. It will, also, be possible for the 'Mater' appointments to end and still have a ten member Board in place.

The next AGM of the company is scheduled to take place in June 2014. At that time, it will be possible to, if necessary, update the Articles of Association, fill any member and Governor vacancies and add new skills and expertise as deemed necessary by the Board of Governors.

28th February 2014

Summary of CRC's Income and Expenditure 2009-2013

CENTRAL REMEDIAL CLINIC - SUMMARY PROFIT & LOSS Y2009 TO Y2013

	<u>Notes</u>	<u>2009</u>	<u>2010</u>	<u>2010</u> <u>restated</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> <u>Draft Only</u>
<u>INCOME:</u>							
GRANTS	*	19,099	18,419	17,668	17,201	16,628	16,521
DONATIONS & FUNDRAISING	2	1,091	576	576	570	905	1,029
OTHER INCOME	3	1,718	1,810	2,560	1,873	1,885	1,829
		21,908	20,805	20,804	19,644	19,418	19,379
<u>EXPENDITURE:</u>							
STAFF	4	(16,613)	(15,393)	(15,393)	(15,006)	(15,170)	(15,666)
OPERATING COSTS	5	(3,606)	(3,588)	(3,588)	(3,597)	(3,504)	(3,291)
DEPRECIATION	6	(1,748)	(1,653)	(1,653)	(1,593)	(1,430)	(1,299)
CAPITAL GRANT AMORTISED	7	717	545	545	653	558	541
	*	(21,250)	(20,089)	(20,089)	(19,543)	(19,546)	(19,715)
NET OPERATING SURPLUS (DEFICIT)		658	716	715	101	(128)	(336)
INTEREST PAYABLE & SIMILAR CHARGES		(6)	(4)	(4)	(4)	(5)	(9)
PENSION- NET FINANCE	8	(364)	(136)	(136)	112	(3)	(105)
PROFIT/(LOSS) ON DISPOSAL OF FIXED ASSETS		(23)	(7)	(7)	(15)	(10)	(2)
NET SURPLUS (DEFICIT) FOR YEAR		265	569	569	194	(146)	(452)
ACTUARIAL GAIN (LOSS) ON PENSION FUND	9	3,409	1,028	1,028	(3,822)	(2,007)	713
TOTAL RECOGNISED GAIN (LOSSES) FOR YEAR		3,674	1,597	1,597	(3,628)	(2,153)	261
% OF NET EXPENDITURE FUNDED BY HSE AND OTHER GRANTS	*	89.88%	91.69%	87.95%	88.02%	85.07%	83.80%

CENTRAL REMEDIAL CLINIC - SUMMARY PROFIT & LOSS Y2009 TO Y2013

NOTES:

- 1 **GRANTS include:**
 - Main HSE Allocation
 - Other HSE Area Board Income
 - Dept of Education School Grants
 - Dublin Corporation Meal Grants
 - National Lottery Grants

- 2 **DONATIONS & FUNDRAISING include:**
 - Fundraising Events Income
 - Friends & Supporters Income
 - Donations
 - EU Projects Income

- 3 **OTHER INCOME includes:**
 - Pension Levy Income
 - Rehabilitative Training Unit Income
 - FAS Training Income
 - Transition Programme Training Income
 - Seating Sales
 - Swimming Pool Income
 - Catering Sales
 - Misc Income

- 4 **STAFF COSTS includes:**
 - Wages and Salaries Costs
 - Employer Social Security Costs
 - Employer Pension Costs - IPT and VHSS

- 5 **OPERATING COSTS includes:**
 - Total Non Pay Costs for all departments (HSE a/c)
 - Total Clinic Ancillary Account Expenditure
 - Less Net Interest Payable & Similar Charges
 - Ancillary Account Salaries
 - Expenditure on Capital Projects

- 6 **DEPRECIATION calculated using rates below:**

BUILDING	4% STRAIGHT LINE
FIXTURES & FITTINGS	10% STRAIGHT LINE
MEDICAL EQUIPMENT	10% STRAIGHT LINE
OFFICE EQUIPMENT	10% STRAIGHT LINE
OTHER EQUIPMENT	10% STRAIGHT LINE
CARS	20% REDUCING BALANCE
VANS	25% STRAIGHT LINE
COMPUTER EQUIPMENT	25% STRAIGHT LINE

- 7 **CAPITAL GRANTS AMORTISED calculated as follows:**
 - BALANCE AT BEGINNING OF YEAR
 - WRITE BACK FOR THE YEAR
 - ADDITIONS IN YEAR

 - BALANCE AT END OF YEAR

- 8 **PENSION - NET FINANCE per FRS17 Report:**
 - Interest Cost of the plans benefit obligation less expected return on the plan assets, per actuary

- 9 **ACTUARIAL GAIN/(LOSS) ON PENSION FUNDS**
 - Actual Gain/(Loss) on the Assets & Liabilities of the plan versus the expected values

CRC's Designation by the HSE as a Section 38 Agency

List of Section 38 Agencies – October 2013

Organisation Name – Voluntary Agencies (Non Acute)	Ref	HSE Area	Local Health Office
Brothers of Charity – Clare	1	South	Clare
Brothers of Charity – Galway		West	Galway
Brothers of Charity – Limerick		West	Limerick
Brothers of Charity – Lota (Southern)		South	West Cork
Brothers of Charity – Roscommon		West	Roscommon
Brothers of Charity – Waterford		South	Waterford
Carriglea (Sisters of the Bon Sauveur)		2	South
Central Remedial Clinic	3	Dublin North East	Dublin North Central
Cheeverstown House	4	Dublin Mid Leinster	Dublin South West
Children's Sunshine Home	5	Dublin Mid Leinster	Dublin South (Dun Laoghaire)
Cope Foundation	6	South	West Cork
Cork Dental Hospital	7	South	South Lee
Daughters of Charity – Dublin Region	8	Dublin North East	North West Dublin
Daughters of Charity – Limerick Region (Inc St. Anne's Roscrea)		West	Limerick & North Tipperary / East Limerick
Dublin Dental Hospital Board	9	Dublin Mid Leinster	Wicklow
Incorporated Orthopaedic Hospital (Clontarf)	10	Dublin North East	Dublin North Central
KARE, Morefield, Newbridge, Co Kildare	11	Dublin Mid Leinster	Kildare/West Wicklow
Leopardstown Park Hospital	12	Dublin Mid Leinster	Dublin South East
National Rehabilitation Hospital	13	Dublin Mid Leinster	Wicklow
Our Lady's Hospice, (Harold's Cross)	14	Dublin Mid Leinster	Dublin South City
Peamount Hospital (Newcastle)	15	Dublin Mid Leinster	Dublin West
Royal Hospital, Donnybrook, Dublin	16	Dublin Mid Leinster	Dublin South East
Sisters of Charity – Kilkenny	17	South	Carlow / Kilkenny
Sisters of Charity of Jesus & Mary (Laois/Offaly)	18	Dublin Mid Leinster	Laois/Offaly
Sisters of Charity of Jesus & Mary (Longford/Westmeath)		Dublin Mid Leinster	Longford / Westmeath
Sisters of Charity of Jesus & Mary (Moore Abbey)		West	North Tipperary / East Limerick
St. John of God, Drumcar	19	Dublin North East	Louth
St. John of God Eastern Region		Dublin Mid Leinster	Wicklow
St. John of God, Tralee Beaufort – St. Mary's of the Angels		South	Kerry / West Cork
St. Michael's House, Dublin (incorporates St Mary's Auxiliary Hospital)	20	Dublin North East	Dublin North Central
St. Vincent's, Fairview	21	Dublin North East	Dublin North Central
Stewart's Hospital, (Palmerstown)	22	Dublin Mid Leinster	Dublin West
Sunbeam House Services	23	Dublin Mid Leinster	Wicklow

Previously Section 38 Agencies, now subsumed into HSE

1. St. Luke's Hospital
2. Drug Payments Board
3. Daughters of Wisdom (Cregg House)

Organisation Name – Voluntary Agencies (Acute)	Ref	HSE Area	Hospital Network
Mater Misericordiae University Hospital	1	Dublin North East	Dublin North East Hospital Network
St. James's Hospital, Dublin	2	Dublin Mid Leinster	Dublin South Hospital Network
St. Vincent's University Hospital including St. Michael's Hospital, Dun Laoghaire	3	Dublin Mid Leinster	Dublin South Hospital Network
Michael's Hospital, Dun Laoghaire	4	Dublin Mid Leinster	Dublin South Hospital Network
Beaumont Hospital	5	Dublin North East	Dublin North East Hospital Network
Adelaide & Meath incorporating the National Children's Hospital Tallaght	6	Dublin Mid Leinster	Dublin Midlands Hospital Network
National Maternity Hospital, Holles St.	7	Dublin Mid Leinster	Dublin South Hospital Network
Coombe Women's Hospital	8	Dublin Mid Leinster	Dublin Midlands Hospital Network
Rotunda Hospital	9	Dublin North East	Dublin North East Hospital Network
Our Lady's Children's Hospital, Crumlin	10	Dublin Mid Leinster	National Paediatric Hospital Network
Temple Street Children's University Hospital	11	Dublin Mid Leinster	National Paediatric Hospital Network
South Infirmary Hospital, Cork	12	South	Southern Hospital Network
Mercy Hospital, Cork	13	South	Southern Hospital Network
St. John's Hospital, Limerick	14	West	Mid-Western Hospital Network
Cappagh National Orthopaedic Hospital	15	Dublin North East	Dublin North East Hospital Network
Royal Victoria Eye & Ear Hospital	16	Dublin Mid Leinster	Dublin South Hospital Network

Analysis of Internal CRC Fundraising Income and Costs

	Publ. Relations & Fundraising Department									
	INCOME & Expenditure 2013									
High Profile Event	GROSS INCOME €	INCOME DUE €	TOTAL INCOME €	Gross COSTS €	ACCRUED COSTS €	Total COSTS €	Actual Net Income To Date €	Target Net Income		
424 Santa Bear Appeal	29,939	25,061	55,000	51,197	5,131	56,329	-1,329	200,000		
425 Golf Classic	11,675	-	11,675	4,570	-	4,570	7,105	100,000		
427 Challenge	785	-	785	-	-	-	785	0		
428 Mansion House Ball	0	-	-	1,000	-	1,000	-1,000	0		
429 Comedy Night	28,096	-	28,096	6,501	-	6,501	21,594	200,000		
431 Christmas Coffee Morning	21,722	150	21,872	-	-	-	21,872	200,000		
432 Sundry High Profile	0	-	-	-	-	-	0	200,000		
433 Spring Lunch	0	-	-	-	-	-	0	0		
High Profile Events Totals	92,217	25,211	117,428	63,268	5,131	68,400	49,028	2,700,000		
LOW PROFILE EVENTS	GROSS INCOME €	INCOME DUE	TOTAL INCOME	Gross COSTS	ACCRUED COSTS	Total COSTS	Actual NET INCOME	Target		
442 Flag Days	9,136	-	9,136	-	-	-	-9,136	200,000		
446 Christmas Cards	1,851	280	2,131	-	-	-	-2,131	30,000		
450 Bridge Club	0	18,000	18,000	-	-	-	-18,000	200,000		
450 Northside Ladies Lunch	0	-	-	-	-	-	0	0		
450 Misc Functions	20,596	100	20,696	570	-	570	-20,126	200,000		
454 Sale of Work	4,161	-	4,161	281	-	281	-3,880	100,000		
430&452 Marathons	8,331	-	8,331	403	-	403	-7,928	150,000		
458 Misc. Donations	2,078	-	2,078	-	-	-	-2,078	200,000		
475 Friends	8,973	-	8,973	-	-	-	-8,973	100,000		
Low Profile Events Totals	55,127	18,380	73,507	1,254	0	1,254	72,253	1,000,000		
Totals	GROSS INCOME	INCOME DUE	TOTAL INCOME	Gross COSTS	ACCRUED COSTS	Total COSTS	Actual NET INCOME	Target Net Income		
High Profile Totals	92,217	25,211	117,428	63,268	5,131	68,400	49,028	2,700,000		
Low Profile Totals	55,127	18,380	73,507	1,254	0	1,254	72,253	1,000,000		
Total	147,343	43,591	190,934	64,522	5,131	69,654	121,280	3,700,000		
Less Department Overheads							134,686			
Fundraising Net Deficit 2013							-13,406			
Major Donations	€101,214									

CRC-HSE WTE Reconciliation

CRC HR - Payroll Analysis

Reconciliation of Actual WTEs and HSE WTE Ceiling
As at 31st December 2013

Actual WTEs as at 31st December 2013		255.57	
<u>Less</u>			
Additional services provided under SLA but for which HSE has not adjust ceiling			
			<i>see note</i>
	Coolock Day Activity Centre	10.78	1
	Transition Programme	3.31	2
	HSE Demographic Funding	1.21	3
	HSE Limerick funding	1.5	4
Separate Funding			
	FAS Vocational Employment Skills Training Programme	2.78	5
	Research Trust	0.3	6
Funded from CRC resources within the HSE grant allocation			
	NPSDD Project	5	7
	Locum Staff	4.8	8
	Retirement Replacements	4.07	9
	Fundraising Department - not on census	1.71	10
	School Ancillary Staff	5.54	11
	Consultants	2.55	12
	Extended Nursing Hours	0.24	13
Long Term Sick and ICB			
	Long Term Sick	4.5	14
	Incentivised Career Break	2	15
		50.29	
			49.99
			<u>205.28</u>
CRC December 2013 Census Return			
CRC 2013 Employment Ceiling	206.35		
Variance	-1.07		
<u>Included in Headcount Return of 205.28</u>			
	Waterford	14.27	15
	Limerick	4.5	16
	Bus Escorts	3.99	17
		22.76	
Reference letter to Frank O'Leary, 13.02.14			
Overall Analysis of WTE Ceilings for 2013:			
CRC 2013 Employment Ceiling	206.35		
Waterford Ceiling	14.27		
Limerick Ceiling	5.2		
Grand Total	225.82		

Notes:

1. *Coolock Day Activity Centre*

The CRC provides a day activity centre in Coolock with a range of social, physical, educational, occupational and recreational activities for adults with physical, sensory and intellectual disabilities who do not wish to participate in training or supported employment programmes. There are currently 64 services users attending this day centre.

The centre came under the remit of the CRC in January 2009 with 11.5 WTE. The headcount for the CRC census was not adjusted for these WTE, although they are included in the SLA to the HSE.

2. *Transition Programme*

This programme is Section 39 funded and its aim is to provide school leavers who have significant physical disabilities with the skills and knowledge required for living as independently as possible whilst developing and supporting meaningful community and social connections. There are 4 participants and they are based in Clontarf.

3. *HSE Demographic Funding*

From September 2013 the CRC secured funding from the HSE to support school leavers, rehabilitative training leavers and transition programme leavers. The funding has been used to recruit Healthcare Assistants in Coolock and Clontarf Day Activity Centres.

4. *HSE Limerick Funding*

Funding has been received by HSE Limerick for Seating Technical Support and a part time Basic Seating Therapist.

5. *FAS Vocational Training Programme*

Annual funding is received from the City of Dublin Education and Training Board (CDETB). The programme's aim is to focus on teaching people the skills they need to get a job, keep a job and to live a full and self determined life. There are 24 learners and the accreditation is FETAC Level 3 Major Award in Employability Skills. The programme is based in Clontarf.

6. *Research Trust*

The Research Trust is a research body within the CRC which provides funding for research in the area of disability. Dr. Valerie Dowding's employment is based on a grant from the Research Trust for her epidemiology research attached to a Cerebral Palsy study for Eastern Ireland.

7. *NPSDD Project*

The National Physical Sensory Disability Database project team commenced in 2012 and the staff on this team are working to update the CRC client base on the database to ensure service planning and funding for people with disabilities. This is a 3 year project completing in September 2015.

8. *Locum Staff*

Locum fixed term contracts were issued to cover staff maternity leave and leave of absence. The locum staff are recruited at a basic salary scale and the majority of the leave covered is unpaid.

9. *Retirement Replacement*

Staff retiring from key posts in the CRC were replaced by staff on fixed term contracts to ensure the ongoing provision of services in the CRC.

10. *Fundraising*

Two staff from the fundraising department are not included on the Census return. One is currently on Carer's leave.

11. *School Ancillary Staff*

A number of support staff for the Clontarf and Scoil Mochua schools are paid by the CRC. An ancillary grant is received from the Department of Education which supports some of these payroll costs.

12. Consultants

Consultants providing specified services to the CRC are paid through their hospital and the CRC is invoiced for their hours. One consultant directly invoices the CRC for her services.

13. Extended Nursing Hours

Nurses based in Clondalkin have increased working hours per day since 2009 in order to provide services to school children in Scoil Mochua.

14. Long Term Sick

A number of staff are currently on long term sick leave under the income continuance scheme from the IPT pension.

15. Incentivised Career Break

A number of staff were granted the HSE Incentivised Career Break from 2013.

16. Waterford WTE

An annual service level agreement is provided to the HSE South East which outlines a WTE for the CRC Waterford Service. The WTE for staff on this SLA is 14.27. This WTE is also included in the CRC overall census return. Letter forwarded to Frank O'Leary on the 13th February 2014 in relation to CRC's employment ceiling with additional Waterford WTE.

17. Limerick WTE

An annual service level agreement is provided to the HSE Mid West which outlines a WTE for the CRC Limerick Service. The WTE for staff on this SLA is 5 WTE. 4.5 of this WTE is also included in the CRC overall census return. Letter forwarded to Frank O'Leary on the 13th February 2014 in relation to CRC's employment ceiling with additional Limerick WTE.

18. *Bus Escorts*

A WTE figure of 3.99 is included in the CRC Census for Bus Escorts providing a service to the CRC schools. The costs for these posts is provided by the Department of Education.

WTE Analysis by CRC Service/Department

WTE per Department

ATSS	32.33
Catering	7.6
Chief Executive	2
Cleaning and Maintenance	3
Client Services	4.46
Clontarf DAC	8.3
Dietetics	1.5
Finance	7.75
Firhouse	11.09
Fundraising	5.71
Gait Lab	6
Hartstown	9.71
Human Resources	4
I.T.	5
Administrator	1
Medical Office	9.28
Consultants	3.3
Nursing	9.84
Occupational Therapy	17.04
Physiotherapy	24.53
Psychology	6.2
Rehabilitative Training Unit	5.7
Speech and Language	13.52
Social Work	8.8
Swimming Pool	2
Training & Development	10
Transport	3
Bus Escorts	3.99
Coolock DAC	10.99
FAS VESTP	2.78
Transition Programme	3.31
NPSDD	5
School Ancillary	6.54
Research Trust	0.3

255.57

Source: CRC HR Dept.

WTE Analysis by Grade for CRC

ATSS					
			Nos	WTE	
Basic OT	M		2	1.5	
Basic OT	F		1	0.5	
Basic Physio	F		2	1.5	
Chief Medical Scientist	M		1	1	
Clerical IV	F		4	4	
Clerical V	F		1	0.45	
Clerical III	M		2	1.14	
Clerical III	F		2	1.14	
Clinical Engineer Technician	M		4	3.5	
Clinical Engineer Technician	F		2	1.6	
Senior CET	M		4	4	
Senior CET	F		1	1	
Senior OT	M		1	1	
Senior OT	F		4	3.07	
Senior Physio	F		3	2.43	
Med Lab Technician	M		1	1	
Senior SLT	F		1	1	
Special	F		2	1.5	
Special - Workshop Technician	M		1	1	
					32.33
Catering					
Catering Officer Grade 1	M		1	1	
Chef II	F		2	2	
Chef II	M		1	1	
Domestic	F		2	2	
Domestic	M		1	1	
Special - Cashier	F		1	0.6	
					7.6
Chief Executive					
Clerical IV	F		1	1	
CEO	M		1	1	2
Cleaning and Maintenance					
Domestic	F		1	1	
Porter	M		2	2	3
Client Services					
Clerical III	F		1	0.46	
Clerical IV	F		2	2	
Clerical VIII	F		1	1	
Administration Unclassified	F		1	1	4.46
Clontarf DAC					
Healthcare Assistant	M		3	2.9	
Healthcare Assistant	F		5	4.4	
Other Patient & client care	F		1	1	
					8.3
Dietetics					
Senior Dietician	F		2	1.5	1.5

Finance				
Accountant	F	1	1	
Clerical IV	F	4	3.17	
Clerical V	F	2	2	
Clerical VI	F	1	1	
Clerical III	M	1	0.58	
				7.75
Firhouse DAC				
Driver	M	3	3	
Healthcare Assistant	F	5	3.88	
Healthcare Assistant	M	2	2	
Other Patient & client Care	F	1	1	
Chef II	F	1	0.71	
Domestic	F	1	0.5	
				11.09
Fundraising				
Senior Manager	F	1	1	
Clerical V	F	1	1	
Clerical IV	F	3	2.71	
Clerical III	F	1	1	
				5.71
Gait Lab				
Clerical IV	F	1	1	
Physiotherapist in Charge	M	1	1	
Senior Medical Scientist	M	1	1	
Senior Physiotherapist	M	1	1	
Senior Physiotherapist	F	2	2	6
Hartstown				
Driver	M	2	2	
Healthcare Assistant	F	7	4.5	
Healthcare Assistant	M	1	1	
Domestic	F	2	1.21	
Other Patient & Client Care Uncla	F	1	1	
				9.71
Human Resources				
Clerical III	F	1	1	
Clerical V	F	2	2	
Clerical VI	F	1	1	
				4
IT				
Senior Manager	M	1	1	
Chief Clinical Engineer Technicia	M	1	1	
Senior Clincial Engineer Technici	M	3	3	5
Administrator				
	F	1	1	1
Medical Office				
Clerical IV	F	11	8.28	
Clerical VI	F	1	1	
				9.28

Consultants				
Consultant Paediatrician	F	4	2.02	
Medical Director	M	1	0.54	
Consultant Ophthalmologist	F	1	0.02	
Consultant Adult Rehabilitation	F	1	0.15	
Consultant Orthopaedics	M	3	0.57	
				3.3
Nursing				
Healthcare Assistant	F	5	2.58	
Clerical IV	F	1	0.5	
CNM2	F	1	0.5	
CNS	F	2	1.58	
Director of Nursing Band 5	F	1	1	
Senior Staff Nurse	F	1	0.4	
Staff Nurse	F	8	3.28	
				9.84
Occupational Therapy				
OT Manager	F	1	1	
Basic OT	F	6	4.5	
Senior OT	F	13	10.54	
OT Assistant	F	1	1	
				17.04
Physiotherapy				
Physiotherapist in Charge	F	1	1	
Physiotherapy Assistant	F	5	2.3	
Clerical IV	F	2	1	
Basic Physio	F	1	1	
Senior Physio	M	1	1	
Senior Physio	F	22	17.23	
Clinical Specialist	F	1	1	
				24.53
Psychology				
Clinical Psychologist	M	1	0.2	
Principal Psychologist	M	1	1	
Senior Clinical Psychologist	F	5	5	
				6.2
Rehabilitation Training Unit				
Healthcare Assistant	F	2	1.59	
Clerical IV	M	4	3.2	
Clerical IV	F	1	0.91	
				5.7
Speech & Language				
SLT Manager	F	1	1	
Basic SLT	F	2	2	
Senior SLT	F	9	8.4	
Clinical Specialist	F	0.62	0.62	
SLT Assistant	F	2	1.5	

				13.52
Social Work				
Home Respite Worker	F	4	3	
Principal Social Worker	F	1	1	
Social Worker	M	1	0.8	
Social Worker	F	1	1	
Snr Social Work Practitioner	F	1	1	
Snr Social Worker Single Hande	F	2	2	
				8.8
Swimming Pool				
Pool Attendant	M	2	2	2
Training and Development				
Healthcare Assistant	F	1	0.5	
Clerical IV	F	1	0.5	
Clerical V	M	1	1	
Other patient and client care uncl	F	1	1	
Workshop Supervisor/Instructor	F	5	4	
Workshop Supervisor/Instructor	M	3	3	
				10
Transport				
Clerical V	M	1	1	
Driver	M	2	2	3
Bus Escorts				
				3.99
Coolock DAC				
Clerical VII	F	1	1	
Healthcare Assistant	F	8	5.21	
Healthcare Assistant	M	1	1	
Family Support	F	2	2	
Clerical IV	F	1	0.78	
Driver	M	1	1	
				10.99
FAS VESTP				
Workshop Supervisor/Instructor	M	1	0.5	
Senior Workshop Supervisor/Inst	F	1	0.28	
Clerical IV	F	1	1	
Special	F	1	1	
				2.78
Transition Programme				
Healthcare Assistant	F	3	2.71	
Clerical V	M	1	0.6	
			3.31	3.31
NPSDD				

Senior Manager	F	1	1	
Special - aligned to Clerical III	F	7	4	
				5
School Ancillary Staff				
Clerical V	F	1	1	
Clerical IV	F	1	0.69	
Porters	M	3	3	
Special	F	3	1.85	
				6.54
Research Trust				
Special	F	1	0.3	0.3

255.57

Source:CRC HR Dept.

Consolidated Scale Maxima for CRC Grades

Department of Health Consolidated Scales:

Grade	Maximum of Scale
Clerical Officer New Entrant	33,607
Clerical Officer	37,341
Clerical IV New Entrant	38,602
Clerical IV	42,891
Clerical V	48,496
Clerical VI	55,032
Clerical VII	61,417
Clerical VIII	74,551
Staff Nurse New Entrant	39,420
Staff Nurse	43,800
Senior Staff Nurse	45,954
Clinical Nurse Manager	51,191
Director of Nursing Band 5	62,849
Social Work Practitioner, Senior	62,307
Social Worker	46,512
Social Worker Senior Medical/Single Handed	65,000
Speech and Language Therapist New Entrant	45,030
Speech and Language Therapist	50,033
Senior Speech and Language Therapist	59,208
Clinical Specialist Speech and Language Therapist	64,638
Speech and Language Therapist Manager	69,660
Physiotherapist New Entrant	45,030
Physiotherapist	50,033
Senior Physiotherapist	59,208
Clinical Specialist Physiotherapist	64,638
Physiotherapist Manager-in-Charge III	73,783
Dietician, Senior	59,208
Occupational Therapist New Entrant	45,030
Occupational Therapist	50,033
Occupational Therapist, Senior	59,208
Occupational Therapist Manager	69,659
Clinical Engineering Technician	34,611
Clinical Engineering Technician, Senior	57,633
Clinical Engineering Technician, Chief	68,564
Psychologist, Clinical	79,458
Psychologist, Senior Clinical	86,317
Psychologist, Principal Clinical	98,703
Medical Scientist	47,917
Medical Scientist, Chief	73,309
Catering Officer, Grade I	55,032
Chef II	29,535
Domestics	27,472
Healthcare Assistant	29,616
Porters	27,472
Occupational Therapy Assistant	29,616
Physiotherapy Assistant	29,616
Speech and Language Therapy Assistant	29,616
Family Support Workers	31,063
Senior Supervisor/Instructor (Specialist Agencies)	42,722
Supervisor/Instructor (Specialist Agencies)	35,920
Emergency Medical Technician	32,976
Drivers	32,906
Consultants in the HSE Eastern Regional Area	163,660

Consolidated Scales Allowances:

Nursing Specialist Qualification	2,791
Qualification Allowance	1,395

Summary of CRC Superannuation Scheme/Benefit Plan

CRC - Voluntary Hospital Superannuation Scheme (VHSS)

CRC PENSIONS:VHSS

PENSION MANAGERS/ADMINISTRATORS:

MATER HOSPITAL
SUPERANN SECTION
NO 40 ECCLES STREET
DUBLIN 1CONTACT: DORITHY WALL/MARY KELLY
PH 803 2667EMAIL: PENSIONS@MATER.IE

NO OF ACTIVE MEMBERS	136 OFFICERS AND 45 NON OFFICERS = 181
NO OF DEFERRED PENSIONERS	UNKNOWN
NO OF PENSIONERS	UNKNOWN
EMPLOYEE CONTRIBUTION %	BETWEEN 5% TO 6.5%
EMPLOYEE CONTRIBUTIONS 2013 €	330,831
EMPLOYER CONTRIBUTION %	BETWEEN 10% TO 13%
EMPLOYER CONTRIBUTIONS 2013 €	661,662
FUND STATUS	UNKNOWN
PENSION LEVY PAID 2013 €	425,367

2 November 2004

Mr Tony Kett
Administrator
Central Remedial Clinic
Penny Ansley Building
Vernon Avenue
Clontarf
Dublin 3



DEPARTMENT
OF HEALTH AND
CHILDREN
AN ROINN
SLÁINTE AGUS LEANAÍ

Shaping a
Healthier Future

Dear Mr Kett

I refer to your recent letter regarding the administrative arrangements put in place in 1979 to allow access for staff of the CRC access to the Voluntary Hospital Superannuation Scheme. Our files indicate that an arrangement was put in place whereby the staff would be on the Mater hospital payroll and provision would be made to meet the future pension costs by way of a 10% employer contribution. (Copy of relevant letter of authorisation to Mater Hospital attached).

As you will see the 10% employer contribution along with the staff contribution mentioned in that letter was to be credited to the Mater Hospital Superannuation account. This provision is to ensure that sufficient monies are there to meet the pension costs as they arise. In addition Spouses and Children's contributions of 1.5% are due to be paid by both the employer and employee.

I would like to clarify that it was incorrect of you to cap your contribution to the Mater Hospital in 2002 as the difference in paid and due is now overdue to the Voluntary Hospital Superannuation Account from which future pensions fall to be paid.

Finally, I regret to inform you that the Central Remedial Clinic would not qualify for entry to the Voluntary Hospital Superannuation Scheme in its own right and this Department is happy for the existing arrangements to continue. I trust this clarifies the matter for you.

Yours sincerely

Patsy Carr
Pension Policy Section

K148/160

9 Deireadh Fómhair 1979

Secretary
Mater Misericordiae Hospital
Dublin 7

Re: Superannuation of staff of Central Remedial Clinic

A Chara

I am directed by the Minister for Health to refer to your letter of 7 August 1979, and previous correspondence, regarding the admission of certain staff of the Central Remedial Clinic to membership of the Voluntary Hospitals Superannuation Scheme and to say that it seems that these staff may be admitted to the scheme if arrangements similar to those in force for the staff of St. Paul's Hospital, Beaumont, are made in respect of them.

These arrangements will entail that

1. the staff concerned be on the Mater Hospital payroll;
2. the salaries of these staff members, plus 10% of salaries to meet superannuation costs be recouped annually from the Central Remedial Clinic;
3. the ordinary 5% superannuation contributions of the staff plus the 10% of salaries referred to at 2 above be credited to the Voluntary Hospitals Superannuation Scheme in the Mater Hospital accounts.

Perhaps you will confirm that these arrangements have been made in respect of the seven staff members named in your letter of 7 August, 1979 and submit forms VHS4.

Mise le meas

M. C. Swayne

Voluntary Hospitals Superannuation Section

Irish Pensions Trust (IPT)
The Central Remedial Clinic Pension and Death Benefit Plan (the CRC Plan)

CRC PENSIONS:

IPT:

PENSION MANAGERS/ADMINISTRATORS

MERCER
 CHARLOTTE HOUSE
 CHARLEMONT STREET
 DUBLIN 2

CONTACT: ENDA WALSH
 PH 603 9700

ACTUARY

ENDA WALSH

CORPORATE TRUSTEES

IRISH PENSION TRUST LTD
 OYSTER POINT (2ND FLOOR)
 TEMPLE ROAD
 BLACKROCK, CO DUBLIN

DIRECTORS OF IPT LTD

A. BROXAN / H. DUNCAN / M. O. CALLAHAN
 P. FOLEY / H. GOVERNEY / M. WALSH

UNDERWRITERS

FRIENDS FIRST LIFE ASSURANCE CO LTD

INVESTMENT MANAGERS

FRIENDS FIRST
 F&G IRELAND LTD
 BLOCK 5 HARGOURT CENTRE
 HARGOURT ROAD, D2

MERCER GLOBAL INVESTMENTS
 CHARLOTTE HOUSE
 CHARLEMONT STREET, D2

AUDITORS

ERNST & YOUNG
 CITY QUARTER, LARPS QUAY
 CORK

CUSTODIANS

NORTHERN TRUST
 AND
 STATE STREET INTERNATIONAL IRE LTD

NO OF ACTIVE MEMBERS	50
NO OF DEFERRED PENSIONERS	46
NO OF PENSIONERS	43
EMPLOYEE CONTRIBUTION %	10%
EMPLOYEE CONTRIBUTIONS 2013 €	295,803
EMPLOYER CONTRIBUTION %	25%
EMPLOYER CONTRIBUTIONS 2013 €	739,508
SPECIAL PAYMENT- JUNE 2013	267,689
FUND STATUS	FUNDING PROPOSAL IN PLACE UNTIL 2017

VOLUNTARY RETIREMENT SCHEME

CHIEF EXECUTIVE

Whilst we are pushing for the inclusion of all our staff in the VHSS and for all staff to be equally eligible to avail of the VER Scheme, our success in this could bring a very much unwanted consequence, namely the potential retirement of [REDACTED]

In the context of this document there is no need to go into any further detail about the board's view of our Chief Executive other than to summarise it by saying his history in the CRC, his dedication to his job, his enormous grasp of the diverse issues coming before him and his unfailing and enterprising initiative in managing the Clinic, its results, its personnel and its financial stability have placed him in our highest regard.

We don't want to lose him, but we must understand his own personal situation. Ironically he himself does not want to retire, but if the scheme is open to IPT members the package offered to him secures his future in a way that is hardly likely for him to achieve if he remains in employment.

The circumstances of his pensionable service are as follows:

[REDACTED] Normal retirement age is 65: Pension accrues at a rate of 1/60th of salary per year of service subject to a maximum of 2/3rds of final salary after 40 years.

His normal expectation, and his wish which he expressed to me last week, would be to continue working until the age of 63 when he will have achieved 40 years of service and a full pension. He was prepared to reject the VER scheme and continue for the further 6 years but the risk in this was that whereas the VER pegged his final salary before the 8% reduction of 2009, the reckonable salary if he stayed on may be at a lower level than this if expected further pay cuts materialise in the coming years. He therefore requested that we instruct the Trustees to look at guaranteeing him the same final minimum reckoning salary (for pension purposes only) as the 2009 level used in VER.

In the course of this request two facts emerged which may make this plan unworkable for him.

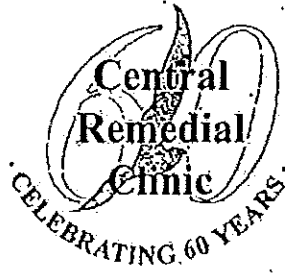
- 1) Under the rules of the IPT pension scheme if a pension is taken before normal retirement age it is discounted proportionately. So if he retires immediately upon achieving 40 years of service he will not receive a full pension.
- 2) The Trustees would find it difficult to make a special liability on the fund (as would be required to peg his retirement salary at 2009 level minimum) for one individual. They would have to make a charge for such an arrangement.

Under the VER he is looking at a future with his present level of take-home pay being maintained ([REDACTED]) [REDACTED] If he works on for the additional 6 years his final pension is not certain and could be reduced. In order to obtain a similar level of benefit he would have to work on for another 9 years until age 65, and even this would not be assured. It does not look like a difficult decision for him from the perspective of financial security.

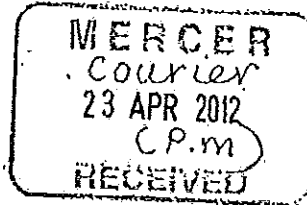
It could be said that we have not prepared ourselves well in implementing a succession strategy for the role of Chief Executive. We have neither identified nor groomed any candidate for the post from within existing staff. While we are talking to the pension Trustees about finding a way around these obstacles and there is still a possibility that the HSE will declare that staff with private pension schemes are ineligible, we have to look at the scenario of [REDACTED] departure in the very near future at a time when there will already be a major exodus from our administrative departments. It presents a very worrying scenario. Re-employment on a contract basis is forbidden under the scheme. However [REDACTED] is indicating that should he retire he will make himself available as much as possible to facilitate smooth transitions to whatever new arrangements will be made.

The obstacles to his continuation for another 6 years are not insuperable; but they will have a cost, and we have requested figures from the Trustees. Only on receipt of these can we fully evaluate the options. We still hope to avoid his departure, but if we cannot we may have to come up with some creative strategies to enable us to continue to use [REDACTED] expertise for a time beyond his retirement until we settle into the next era of leadership of our organisation.

Funding Proposal - Allowance for 1 Early Retirement at Age 62



AN LÁRCHLINIC FEABHAIS
AG CEILIÚRADH 60 BLIAIN



144118
Foirgneamh Penny Ansley
Penny Ansley Building,

Ascalli Vernon
Vernon Avenue

Cluain Tarbh
Clontarf

Baile Átha Cliath 3
Dublin 3

Éire
Ireland

Fón/Tel: +353 (0)1 854 2200

Facs/Fax: +353 (0)1 833 5496

Ríomhphost/Email: info@crc.ie

Mr. Enda Walsh,
Mercer,
Charlotte House,
Charlemont House,
Dublin 2.

23rd April 2012

Re: Central Remedial Clinic Pension and Death Benefit Scheme

Dear Enda,

Enclosed please find our cheque in the amount of €3 million in respect of the above scheme.

As part of the recent funding proposal submitted to the Pensions Board in December 2011, and their acceptance of same dated 28th February 2012, the CRC agreed to make a lump sum contribution of €3 million to the fund. The purpose of the lump sum, apart from being necessary to meet the funding standard within the proposed time frame, is also to assist with the general de-risking strategy to be employed in the investment portfolio as well as covering the funding strain resulting from the early retirement of one executive member at age 62 on an actuarially reduced pension, during the term of the proposal.

I hope you find this in order.

Yours sincerely,

Paul Kiely
Chief Executive

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Assumptions

Assumptions used to project Minimum Funding Standard liabilities as at 31 December 2017

Actives and deferreds	Transfer value basis in Actuarial Standard of Practice PEN-2 version 5.9.
Pensioners	Estimated bulk annuity rates as at 30 November 2011 reflecting market conditions at that time. Allowance for mortality improvements of 0.5% p.a.
Pension escalation rate	0.5% p.a. fixed in lieu of pension increases rule of CPI max 5%

Assumptions used to project Scheme experience up to 31 December 2017

Assets	
Return on government bonds	5.0% p.a.
Return on equities	7.0% p.a.
Equity premium	1.0% p.a.
Asset management costs	0.5% p.a.
Overall expected return on assets	6.0% reducing to 5.0% over the term of the proposal.
Liabilities:	
Price inflation	3.0% p.a.
Salary inflation – please see note below	Salary freeze in 2012 and 2013 and 3.0% p.a. thereafter
Pension increases	2.0% p.a.
Leavers and new entrants	None
Commutation	25% of pensions assumed commuted
Mortality in projection period:	
Future Retirees	85% of PMA92 c=2030 (-1 age rating)
Current Retirees	85% of PMA92 c=2015
Early retirements	Allowance for 1 early retirement in period for 1 member at age 62 on an actuarially reduced pension.

Allowance has been made for the intention of the Trustees to increase the bond allocation over the term of the proposal.

The proposal allows for the pensions levy to be paid from the assets of the Scheme and not to be passed onto members via a reduction in benefits.

Actuary Certification – Funding Proposal *on track*



The Central Remedial Clinic Pension and Death Benefits Plan
Year ended 31 December 2013

Pensions Board reference number 1530

Actuary's Statement

The last Actuarial Funding Certificate was submitted to the Pensions Board with an effective date of 31 December 2010. That certificate confirmed that the scheme did not satisfy the funding standard set out in Section 44 of the Pensions Act, 1990.

A funding proposal has been implemented with the objective of putting the Plan in a position to satisfy the funding standard no later than 31 December 2017. This extended date was granted by the Pensions Board at the request of the Trustees.

Taking account of the value of the assets and the value of the liabilities as at 31 December 2013, I would have been able to certify that the Funding Proposal was on track to meet the minimum funding standard by 31 December 2017, the later date approved by the Pensions Board under section 49(3) of the Pensions Act.

A handwritten signature in black ink, appearing to read 'Enda Walsh', written over a horizontal line.

Enda Walsh
Fellow of the Society of Actuaries in Ireland
Scheme Actuary No. P132
24th March 2014

CRC Declaration of Executive Team Salaries Paid (2012)

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
<p>CRC</p> <p>Data provided to HSE HR in response to HR correspondence dated 21st May 2012</p>	<p>I wish to Confirm the details provided in Column 1</p> <p>OR</p> <p>I wish to update/provide additional details</p>	<p>Does this represent the totality of the remuneration package (i.e. to include salary, allowances, private pension contributions, transport and any other benefits or payments?</p> <p>(Y) / (N)</p> <p><i>If not, please specify each additional benefit in columns 4 to 8</i></p>	<p>Amount of Contributions made by employer to Private Pension fund ?</p> <p>€ pa</p>	<p>Travel allowance /Car allowance / Car expenses allowance</p> <p>€ pa</p>	<p>Annual or other Bonus ?</p> <p>€ pa</p>	<p>Any other benefits/allowances/payments ?</p> <p>€ pa</p>	<p>Director/Board/Company Secretarial fees in respect of the organisation's board or any State Board ?</p> <p>€ pa</p>	<p>Please specify whether elements (of payments in columns 1 to 8) are funded from Non-Public Sources of Public sources ? (If non-public – please specify the source)</p>
<p>6 senior management posts listed</p> <p>"Senior Management Remuneration was the subject of a comprehensive review in 2009, involving the Chairman and other Board Members of the CRC, along with HSE ND-ISP, HSE NDOF and HSE HR manager.</p> <p>At that time, it was agreed by the Board of Governors that</p> <ul style="list-style-type: none"> a lesser amount be charged to the HSE, and the balance, for employment contractual reasons, would be directly funded by CRC, the employer. <p>[...] it was also agreed that when the posts concerned fail to be</p>	<p>I wish to Confirm the details provided in Column 1</p>	<p>(N)</p>	<p>25% For All</p> <p>With exception of the Medical Director who is in the VHSS</p> <p>Employer Contributions to the VHSS are 13%.</p>					<p>Breakdown as specified in column 1</p> <p>Non public comes from CRC's own resources and not from the Exchequer.</p> <p>Funding of Employer</p>

replaced through retirement or resignation the salary of the incoming replacements will be discussed and agreed with the HSE	This agreement took effect from 1st January 2009 and continues to this day.	The only change that has affected the agreed rates since then has been the salary reduction imposed on 1st January 2010."							Pension Contribution is proportionate to salary breakdown.
CEO	HSE Funded Salary €106,900 CRC Funded Salary €116,949 CRC Funded Allowance €19,016	Med Dir							
HSE Funded Salary €118,703 CRC Funded Salary NIL CRC Funded Allowance NIL	Mgr Client Services								
HSE Funded Salary €79,000 CRC Funded Salary €32,357 CRC Funded Allowance NIL	Administrator								
HSE Funded Salary €79,000 CRC Funded Salary €32,357 CRC Funded Allowance NIL	Manager HR								
HSE Funded Salary €79,000 CRC Funded Salary €32,357 CRC Funded Allowance NIL	Manager IT								
HSE Funded Salary €79,000 CRC Funded Salary €37,841 CRC Funded Allowance NIL									

Una Hoban

From: Paul Kiely
Sent: 04 September 2012 13:56
To: [REDACTED]
Subject: FW: Senior Management Remuneration
Attachments: SENIOR MANAGEMENT SALARIES HSE FUNDED.doc; SENIOR MANAGEMENT SALARIES CRC FUNDED.doc

From: Paul Kiely
Sent: 25 May 2012 12:14
To: 'ceopa@hse.ie'
Cc: 'Hamilton Goulding'
Subject: Senior Management Remuneration

Dear Sir,

Please find attached schedules outlining the information requested by Mr. Barry O'Brien in his letter dated 21st May 2012.

Senior Management Remuneration was the subject of a comprehensive review in 2009, involving the Chairman and other Board Members of the CRC, along with Ms. Laverne McGuinness, Mr. Liam Woods and Mr. Ger Reaney from the HSE.

At that time, it was agreed by the Board of Governors that a lesser amount be charged to the HSE, and the balance, for employment contractual reasons, would be directly funded by CRC, the employer. Further, it was also agreed that when the posts concerned fail to be replaced through retirement or resignation the salary of the incoming replacements will be discussed and agreed with the HSE. This agreement took effect from 1st January 2009 and continues to this day. The only change that has affected the agreed rates since then has been the salary reduction imposed on 1st January 2010.

I have searched through the correspondence from that period and cannot find any reference to specific grades, only amounts, which were agreed. All of the posts are located in Clontarf, Dublin 3.

Yours Sincerely,

Paul Kiely,
Chief Executive

c.c. Mr Hamilton Goulding, Chairman, CRC.

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HSE FUNDED PAYMENTS FOR CRC SENIOR MANAGEMENT TEAM
AS AT 30TH APRIL 2012

POST	SALARY	ALLOWANCES	GRANTS	BONUSES
	€	€	€	€
Chief Executive ✓	106,900	NIL	NIL	NIL
Medical Director ?	118,703	NIL	NIL	NIL
Mgr Client Services ✓	79,000	NIL	NIL	NIL
Administrator ✓	79,000	NIL	NIL	NIL
Manager HR ✓	79,000	NIL	NIL	NIL
61800 * Manager IT	79,000	NIL	NIL	NIL

Paul used
T.K.
SAIT for
IT

CRC FUNDED PAYMENTS FOR SENIOR MANAGEMENT TEAM
AS AT 30TH APRIL 2012

POST	SALARY ALLOWANCES GRANTS BONUSES			
	€	€	€	€
Chief Executive	116,949 ✓	19,016	NIL	NIL
Medical Director	NIL	NIL	NIL	NIL
Mgr Client Services	32,357 ✓	NIL	NIL	NIL
Administrator	32,357 ✓	NIL	NIL	NIL
Manager HR	32,357 ✓	NIL	NIL	NIL
Manager IT 55041	37,841	NIL	NIL	NIL

CRC Response to Media Query on CEO Salary

From: Ham Goulding [REDACTED]
Sent: 01 November 2012 07:40
To: Paul Kiely
Subject: Fwd: CRC Management Salaries

Begin forwarded message:

From: Ham Goulding [REDACTED]
Date: 1 November 2012 08:39:11 GMT+01:00
To: "[REDACTED]@independent.ie" <[REDACTED]@independent.ie>
Subject: CRC Management Salaries

Dear Mr [REDACTED]

Your query regarding the salary of the Chief Executive of the Central Remedial Clinic has been passed to me, as Chairman of the Board of Governors, for reply.

Whilst the operation of the Central Remedial Clinic is substantially funded by the HSE, the CRC is a private and independent organisation, classified as a Voluntary Hospital within the Health Service.

In this context we believe that personal salary levels of individuals within our organisation (which are incidentally reported to and agreed with the HSE) are a private matter between the Clinic and its staff and that sharing this information may give us confidentiality problems with employees.

On the above basis I regret that I must decline to release this information to you,

Best Regards,

Ham Goulding

From: Ham Goulding <[REDACTED]>
Date: 1 November 2012 08:39:11 GMT+01:00
To: "[REDACTED]@independent.ie" <[REDACTED]@independent.ie>
Subject: CRC Management Salaries

Dear [REDACTED]

Your query regarding the salary of the Chief Executive of the Central Remedial Clinic has been passed to me, as Chairman of the Board of Governors, for reply.

Whilst the operation of the Central Remedial Clinic is substantially funded by the HSE, the CRC is a private and independent organisation, classified as a Voluntary Hospital within the Health Service.

In this context we believe that personal salary levels of individuals within our organisation (which are incidentally reported to and agreed with the HSE) are a private matter between the Clinic and its staff and that sharing this information may give us confidentiality problems with employees.

On the above basis I regret that I must decline to release this information to you,

From: Hamilton Goulding [REDACTED]
Sent: 10 November 2012 14:12
To: Ailbhe Rice-Davies; Brian Conlan; David Martin; Des Peelo; Hassia Jameson; Jim Nugent; Paul Kiely; Vincent Brady
Cc: [REDACTED]
Subject: Paul Kiely Independent Article
Attachments: PK Indo Article.pdf

Good afternoon, Governors,

This is just to make you aware of an article about Paul which appeared in today's Irish Independent, citing our unwillingness to disclose his salary.

It certainly casts a negative light on the Clinic. If you have any comments or think that this requires us to take any follow-up action please let me know.

Paul is away on the [REDACTED] fundraiser until [REDACTED]

Best Regards,

Ham

From: [REDACTED] <paulkiely@independent.ie>
Date: 11 November 2012 05:51:00 GMT
To: hamgoulding@independent.ie

Hi Ham,

Further to newspaper article you know that I have no wish to be the cause of embarrassment for the CRC.

If you feel that it would protect the clinic's reputation if I did not continue in my post then we should put a strategy in place as soon as possible.

Sorry that you are stuck with all of this Ham.

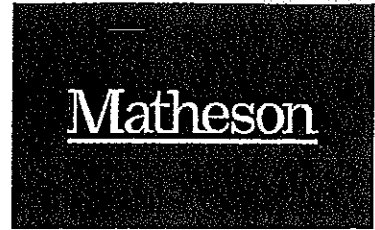
Regards,

Paul

52

Solicitors
70 Sir John Rogerson's Quay
Dublin 2 Ireland

T +353 1 232 2000
F +353 1 232 3333
W www.matheson.com
DX 2 Dublin



Pat Foley
Irish Pensions Trust Limited
Trustee of the Central Remedial Clinic Pension and Death Benefits Plan

By Email: patrick.foley@iptrust.ie

Our Ref
BB/LOS 4714/139

Your Ref

22 April 2014

Dear Pat

Central Remedial Clinic Pension and Death Benefits Plan – Pension Law Advices

Matheson has been requested to provide advice to Irish Pensions Trust Limited (the "Trustee") as the sole corporate trustee of the Central Remedial Clinic Pension and Death Benefits Plan (the "Plan") in respect of a query raised by Central Remedial Clinic (the "CRC"), the sponsoring employer of the Plan, regarding the pension benefits of a former employee.

1 Background

1.1 The Plan is a defined benefit pension scheme governed in accordance with a Deed of Declaration of Trust made by Irish Pensions Trust Limited dated 15 January 1975 with rules attached, as amended (the "Trust Deed" and the "Rules").

1.2 As a defined benefit pension scheme, the members of the Plan are entitled to a defined level of pension on their retirement at normal pension date. The amount of the pension is based on the service completed by the member under the Plan and the member's salary at or just before the date of retirement (as more particularly set out at paragraph 2 below).

1.3 I am instructed that the CRC declare a salary for each member of the Plan to the administrator of the Plan (the "Administrator") on 1 January of each year. The declared salary at 1 January is the basis for the calculation of pension benefits in the year of retirement and also the basis for the calculation of the member's contributions due to be paid to the Plan in that year.

1.4 I understand that the salaries of the members of the Plan are generally in line with public pay policies, however I am advised that a particular member of the Plan (the "Member") was paid a salary which was in excess of those public pay policies. The CRC declared this

Dublin

London

New York

Palo Alto

Managing Partner Liam O'Keefe - Partners: Patricia Saretman, Brian Buzzzi, Michael Jackson, Chris O'Connell, Tom Scannell, Helen Kelly, Sharon Daly, Ruth Hurter, Lucy O'Grady, Paula Massaro, Michael O'Connell, Tara Doyle, Anne-Marie Bohan, Patrick Spicer, Fionnuala Gavin, Patricia Molloy, George Brady, Brett McCarthy, Robert O'Shea, Joseph Beahm, Christine Ann Barr, Damien Keogh, Cara O'Mahony, Queta Courthorn, Pádraic McLoughlin, Noel Morgan, Deirdre Durnea, Aisling Payne, Gerard Boller, Christian Donogh, Bryan Durnea, Lily Gurney, Shane Hogan, Peter O'Brien, John O'Connell, Thomas Hayes, Nicola Dunne, Julia Murphy O'Connell, Mark O'Sullivan, Alan Connell, Bruce Duran, John Galt, Alan O'Connell, Joe Duff, Pat English, Cairns Lavelle, Shay Lydon, Aidan Fahy, Nuala Courthorn, Gerry Thornton, Liam Coffey,

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higher salary of the Member to the Administrator and, therefore, the Member's pension benefits under the Plan and his member contributions to the Plan were calculated on the basis of this higher salary. I am advised that the Member left the employment of the CRC in June 2013. The Member is now a deferred member of the Plan with a preserved benefit under the Plan.

- 1.5 Although I understand that the Member did receive the declared salary, the CRC claim that the salary actually paid to the Member (and declared to the Administrator) is "incorrect" as it did not reflect public pay policies. The CRC have asked the Trustee how the resulting "over calculation" of benefits will be resolved.

2 Member' entitlements under the Scheme

- 2.1 Rule 5 of the Rules states that:

() *"The annual amount of pension to be provided on retirement at Normal Pension Date for a Member shall be such amount as will make the Member's total pension, inclusive of any pension which may have been secured for the Member under the Federated Superannuation Scheme for Nurses, equal to 1/60th of the Member's Final Pensionable Salary multiplied by his Pensionable Service."*

- 2.2 *"Final Pensionable Salary"* is defined under Rule 1 of the Rules as the member's *"Pensionable Salary"* as at 1 January on or immediately preceding his birthday one year before his normal pension date (ie, the Pensionable Salary the year before he retires). *"Pensionable Salary"* is defined under Rule 1 as meaning:

"...the Member's annual rate of basic salary less...an amount to be determined by the Employer but not exceeding 1½ times the annual rate of the Retirement Pension attributable to a single person payable under the Social Welfare Acts."

- 2.3 Therefore, under the Rules, the Member is entitled to a pension on his normal pension date based on the service completed by him under the Plan and his basic salary (less the State pension offset) as at 1 January the year before his normal pension date.

- () 2.4 I understand that the Administrator determines the Member's Pensionable Salary based on the information declared to them by the CRC on 1 January each year. Although the CRC states that the salary received by the Member and declared to the Administrator in respect of him is higher than salaries allowable under public pay policies, it seems quite clear to me that the basic salary declared by the CRC (and actually received by the Member) is the basic salary on which pension benefits must be calculated under the Rules.

- 2.5 If the CRC now wished to change how the Pensionable Salary of the Member is determined for the purposes of the Rules, the CRC would need to have the power to make such an amendment under the Trust Deed and Rules.

3 Amendment Power

- 3.1 Under Clause 4 of the Trust Deed, the CRC and the Trustee may, by agreement in writing, amend any of the provisions of the Trust Deed or the Rules. However Clause 4 places certain restrictions on the exercise of the power of amendment. Included amongst these restrictions is the provision that no amendment may be made which would diminish a

member's accrued benefits up to the date of amendment (as determined by the Trustee) without his previous consent in writing.

3.2 If the CRC and the Trustee were to agree to reduce the Member's Pensionable Salary to a level in line with public pay policy, this would result in a reduction in the accrued benefits of the Member. Such an amendment would not be permitted under the Trust Deed and Rules unless the Member consented to such an amendment in writing.

3.3 Even if the Trust Deed and Rules gave the CRC and the Trustee an unfettered power to make amendments to the provisions of the Trust Deed and Rules, the Member, as a deferred member of the Plan, also has a statutory right to a minimum preserved benefit under the Pensions Act 1990 (the "Pensions Act").

4 **Preservation of benefits under the Pensions Act**

4.1 One of the fundamental principles of pensions law in Ireland is that a member of an occupational pension scheme with a requisite period of qualifying service and whose employment is terminated is afforded protection of the pension benefits accrued to the date of termination. This principle is set out in Part III of the Pensions Act. This part of the Pensions Act requires pension schemes to provide a minimum level of benefits to a member on leaving service otherwise than on death before his normal pension date.

4.2 Consequently if a member, leaving service otherwise than on retirement or death, has a minimum level of service (ie, two years' qualifying service, which service includes service as a member of the relevant pension scheme and also service in another scheme in respect of which a transfer has been made to the pension scheme) then that member is entitled to a preserved benefit which cannot be reduced after he leaves the Scheme.

4.3 The calculation of the Member's preserved benefit is prescribed in the Second Schedule to the Pensions Act. The Second Schedule specifies that where a pension scheme provides for benefits to be calculated in relation to a member's pensionable earnings at, or in a specified period, prior to normal pension date, a preserved benefit must be calculated in a corresponding manner by reference to his earnings at, or in the same period before, the date of termination of his employment.

4.4 I understand that the Member had at least two years qualifying service under the Plan before he left the employment of the CRC. Therefore, the benefits accumulated by the Member will be statutorily protected pursuant to the preservation requirements under the Pensions Act. Under the Second Schedule to the Pensions Act, the Member's preserved benefit must be calculated by reference to his Pensionable Salary as declared by the CRC to the Administrator. An attempt to now change the calculation of the Member's pension benefits by reducing the amount of his salary (and therefore Pensionable Salary) would breach the requirements of Part III of the Pensions Act and be unlawful.

5 **Conclusion**

5.1 It is clear from our review of the Trust Deed and Rules that the Member is entitled to pension benefits under the Scheme based on his Pensionable Salary. His Pensionable Salary will be based on the salary actually declared by the CRC to the Administrator in respect of the Member.

5.2 The CRC and the Trustee do not have the power under the Trust Deed and Rules to amend how Pensionable Salary is calculated as this would result in a reduction in the accrued benefits of the Member and this cannot be done under Clause 4 of the Trust Deed without the Member's written consent.

5.3 Furthermore, as a deferred member of the Plan, the Member has a statutory entitlement to a minimum preserved benefit under the Pensions Act and this preserved benefit cannot be unilaterally reduced by the CRC or the Trustee.

I trust this is of assistance.

Yours sincerely

Sent by email, bears no signature

BRIAN BUGGY
D: +353 1 232 2239
E: brian.buggy@matheson.com

Interim Administrator's Letter to Director General, HSE (14/01/2014)



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

Interim Administrator
Central Remedial Clinic
Vernon Avenue
Clontarf
Dublin 3

14th January 2014

Mr. Tony O'Brien
Director General
Health Service Executive
Dr. Steevens' Hospital
Dublin 8

Re: 2012 Appropriation Accounts of the Comptroller & Auditor General: Vote 39: Health Service Executive – Section 38 Agencies' Remuneration

Dear Mr. O'Brien,

As you will be aware, as the Interim Administrator I am working through a range of operational, governance and legacy issues at the Central Remedial Clinic (CRC).

It is anticipated that much of the related work and audits will be completed by the end of the first quarter of this year, at which time issues requiring further attention of the CRC/HSE will have been identified. However, at this stage, it is necessary to brief you on a significant *remuneration* issue which has now been identified.

The issue of *remuneration* continued to be a live issue for the Board of Governors of the CRC in early 2013. The Chairman formally announced to the Board, at a special meeting in February 2013, that the Chief Executive, Mr. Paul Kiely wished to resign in June 2013. The Board accepted Mr. Kiely's resignation and approved, notwithstanding the focus on remuneration, a retirement package. The Chairman, in outlining the details of this package, intimated that the proposed package 'was considerably less beneficial to Mr. Kiely' when compared with the terms of the HSE's Early Retirement Scheme. It was, also, agreed by the Board that the terms of Mr. Kiely's settlement would be confidential and that a legally binding confidentiality agreement would be put in place.

Mr. Kiely received in his final salary payment from the CRC in June 2013, the following amounts in addition to his basic salary:

€200,000	Tax Free
€273,336	Taxable
<u>€473,336</u>	<u>Total</u>

In addition, an amount of €268,689 was paid to Mercers to ensure that Mr. Kiely's pension/lump sum benefits would not be less than if Mr. Kiely had continued to remain on as Chief Executive until November 2016. At about the time of this final payment, an amount of €700,000 (in two instalments of €450,000 and €250,000) was paid by the Friends and Supporters of the CRC that was described in the draft internal accounts as a donation. The minutes of the Friends and Supporters does not record an approval for this 'donation' (which represents almost half its annual income) by the Board of Directors. The payments to Mr. Kiely could not have been made by the CRC if the €700,000 had not been received from the Friends and Supporters.

The above arrangements raise a number of serious matters:

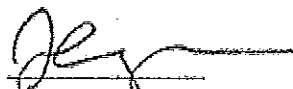
- The CRC's Memorandum of Association allows its income, whencesoever derived, to be applied for payment of reasonable and proper remuneration of any officer in return for services actually rendered. Payment of ex gratia amounts of the magnitude paid in the above case would not appear to be in line with the Memorandum.
- The benefits derived from the package paid, coupled with the benefits to be derived from the payment of further benefits under the terms of Mr. Kiely's defined benefit pension scheme membership, could not be regarded as being 'considerably less beneficial' to Mr. Kiely than the HSE Early Retirement Scheme
- The cost of the package to the CRC/Friends and Supporters of the CRC is substantially greater than an option of allowing Mr. Kiely to retire on the basis of pension benefits accrued to date of retirement. However, early retirement with payment of benefits was not an option under the terms of the pension scheme. It should be noted that pension and lump sum benefits would be paid out of the pension fund and not by the employer. The CRC contributes to the pension fund on a current basis.
- Payment calculations in relation to benefits are based on a remuneration, of which, approximately half, has not been adjusted for public sector pay cuts.

In relation to confidentiality it is difficult to envisage how payments amounting to €700,000 by the Friends and Supporters to the CRC which is clearly linked to the payment made to Mr. Kiely could, or indeed should, not be disclosed in the accounts of the Friends and Supporters of the CRC and the CRC. It should also be noted that the minutes of the Board of Governors meetings (which record the Board approval of the package) are subject to disclosure under FOI.

I have not, as yet, had sight of the detailed advices (from EY and Mercers) provided to the Board/Remuneration Committee in support of the granting of the package/payments, and these may cast further light on the Board's rationale for sanctioning the package. However, on the basis of the available documentation, the arrangements are considerably at variance from the understanding the PAC may have gained from evidence given at the hearing attended by representatives of the CRC Board of Governors. The onus is on the HSE, as its accounts are the subject of the examination by the PAC, to ensure that complete information, in so far as is possible, is available to the PAC.

At this stage it is necessary for the CRC to satisfy itself that the payments made/benefits conferred are reasonable and proper (in the context of its Memorandum of Association) and that any amounts paid were correctly calculated and authorised. In the event of there being a loss to the CRC (or the Friends and Supporters of the CRC), steps will require to be taken to make good that loss and deal with other consequential issues.

Yours sincerely,



John Cregan
Interim Administrator

Letter of Director General, HSE to Chairman, PAC (14/01/2014)

Stiúrthóir Ginearálta na Seirbhíse Sláinte
 Urlár 1
 Ospidéal an Dr. Steevens
 Baile Átha Cliath 8

Director General of the Health Service
 1st Floor
 Dr. Steevens' Hospital
 Dublin 8

Tel: (01) 635 2000
 Fax: (01) 635 2211
 Email: dgpa@hse.ie

14th January 2014

Our Ref: TOB/AE
 DG Ref: 283966

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

Re: 2012 Appropriation Accounts of the Comptroller & Auditor General: Vote 39: Health Service Executive – Section 38 Agencies' Remuneration

Dear Chairman,

I refer to the Committee hearing on the 11th December, 2103 to examine the 2012 Appropriation Accounts of the Comptroller & Auditor General: Vote 39: Health Service Executive – Section 38 Agencies' Remuneration at which representatives from the Central Remedial Clinic (CRC) Board of Governors attended.

During the course of the examination questions relating to the pension payable to Mr. Paul Kiely former CEO of the CRC were raised by the Committee.

The Interim Administrator appointed by me to the CRC following the resignation of the Board has briefed me on what appears to be significant issues relating to the final salary payment/retirement package approved by the Board of Governors of the CRC for Mr. Kiely.

Additionally it appears an amount was paid to a pension fund to ensure that Mr. Kiely's pension/lump sum benefits would not be less than if Mr. Kiely had continued to remain on as CEO until November 2016. Furthermore it appears the payments to Mr. Kiely could not have been made by the CRC without funds received from the Friends and Supporters of CRC.

The above arrangements raise a number of serious matters relating to the CRC's Memorandum of Association, the cost of the package to the CRC/Friends and Supports of the CRC and the payment calculations not being fully adjusted for public sector pay cuts.

I am bringing this matter to the attention of the Committee as the arrangements seem to be considerably at variance from the understanding the Committee may have gained from evidence given at the hearing attended by representatives of the CRC Board of Governors.

At this stage it is necessary for the CRC to satisfy itself that the payments made/benefits conferred are reasonable and proper (in the context of its Memorandum of Association) and that any amounts paid were correctly calculated and authorised. In the event of there being a loss to the CRC (or the Friends and Supporters of the CRC), steps to make good that loss will require to be taken.

Yours sincerely,



Tony O'Brien
 Director General

CRC Chief Executive Exit Strategy June 2013 (4/3/2013)

From: Paul Kiely
Sent: 05 March 2013 13:45
To: 'Hamilton Goulding'
Subject: CEO POST
Attachments: CEO POST 2013.pdf

Hi Ham,

Finally I'm in a position to send you my proposal. Last evening I received the confirmation I requested from Mercers regarding my future pension.

I have enclosed a schedule of costs involved but you should understand that the costs are likely to be overstated in a couple of areas and the savings are likely to be more than projected. For instance, I have allowed for Employer Superannuation for my replacement at a similar rate as we currently pay for VHSS members. However new employees will be eligible for the new Single Public Service Pension Scheme for which CRC is a nominated body. If CRC administer this scheme themselves then I believe that the current arrangement of paying the Mater would not be necessary and the costings for my replacement could be reduced by €88,230.

I have costed the advance payment to Mercers for my future pension as equating to the contribution which would be paid if I were still in employment until age 62. However, in conversation with Mercers, I'm informed that the actual cost of the augmented service to age 62 would be less than that. The reason I have left the higher figure stand is that the CRC Funding Proposal, accepted by the Pensions Board, incorporates that level of contribution and I am keen to ensure that it does not go off target during its term. The additional payment to the Pension Scheme, therefore, will also serve to lessen the overall deficit in the scheme.

This has been a particularly stressful period and I'm sure you will appreciate that having gone so far the outcome is inevitable. I would ask, therefore, that the Remuneration Committee would agree the terms as outlined and allow us to concentrate on securing the future of the Clinic for the next generation.

With every good wish,

Paul.

Mr. H. Goulding,
Chairman Board of Governors,
Central Remedial Clinic,
Vernon Avenue,
Clontarf,
Dublin 3.

Fón/Tel: +353 (0)1 854 2200
Facs/Fax: +353 (0)1 833 5496
Ríomhphost/Email: info@crc.ie

Re: CRC Chief Executive Exit Strategy June 2013

Hi Ham,

The controversy over my remuneration package has been ongoing since 2009, when the HSE first sought to review it, and is unlikely to abate anytime soon. Indeed there are a number of pressing reasons why it will be kept in the limelight for the foreseeable future. These include the insatiable appetite of the press for salary transparency, the pressure to sign up to the Guiding Principles for Fundraising which will require disclosure, the need to publish an Annual Report adopting SORP Standards which will require disclosure of the Chief Executive's remuneration package and the implementation of the Charities Act in 2013/4 which also will require disclosure of full remuneration. Alongside this there is the anomaly resulting from legislation in 2010 on Pension Benefits which IPT advise will result in a shift in a portion of my remuneration (20%+) from pension accrual to current salary thereby worsening the situation further.

Following our discussion before and after the last Board of Governors meeting on the 4th February 2013 I undertook to put forward a proposal on an exit strategy. My efforts to do this have been somewhat frustrated by the delay in getting a response from Mercer's to queries regarding my superannuation benefits, which is only to hand this afternoon.

One of my main concerns is to protect the benefits earned and recognised as such by the Revenue Commissioners in issuing my *Personal Fund Threshold* following Government legislation on Pensions in 2010. This represents the maximum amount I may receive in pension benefits without incurring sur-tax charges and is considerably less than historic expectations or indeed what would have been payable under the HSE Early Retirement Scheme of December 2010. As you are aware from our discussions at the time, that scheme provided an annual pension of 1/80th for each year of service, without actuarial discount, of the salary that was in existence prior to the pay cut in January 2010, plus three times that amount as a tax free lump sum. The HSE determined that the scheme did not apply to me, among others, and the CRC did not offer the terms of the Scheme either. For illustrative purposes, equating the terms of that scheme to my current situation would mean retiring on an annual pension of

€106,675 and a tax free lump sum of €320,025. However following subsequent legislation the tax free element of the lump sum is now restricted to €200,000 with taxes due on the balance at 20%.

The Personal Fund Threshold granted to me by the Revenue Commissioners relates to my accrued benefits under the pension scheme as at the 7th December 2010. The earliest these benefits could be paid to me, in an actuarially reduced pension, is 16th November 2016 at age 62 assuming the current rate of contribution is maintained until then i.e., in this scenario, a Pension Augmentation of 3 years 5 months. Provision for this early retirement option has already been included in the CRC proposal to meet the Minimum Funding Standard by 2017 and accepted by the Pensions Board.

My proposal is that I leave the employment of the CRC on 16th June 2013 under a restructuring redundancy arrangement which would include the following:

1. Payment of €200,000 for loss of office.
2. An annual pension of €80,000 from 16th June 2013 to 15th November 2016. Under a restructuring redundancy arrangement this payment needs to be crystallised in 2013 by a payment of €273,336 and taxed accordingly as the Revenue Commissioners will not allow an annual payment once redundancy is accepted. (The unfortunate downside of this from my perspective is that my tax free allowances and credits to 2016 cannot be used to ameliorate taxes.)
3. Ensure the maximum benefits under my Personal Fund Threshold can be drawn from 16th November 2016, at age 62, as an actuarially reduced pension. This necessitates a pension augmentation by agreeing to additional service credits of the 3 years 5 months to 16th November 2016.
4. Maintain current level of Life Cover until 16th November 2016 when pension is drawn.

My estimate of the cost of 3 above is based on the contributions to be paid to the pension scheme between 16th June 2013 and 15th November 2016 already costed into CRC's Minimum Funding Proposal and accepted by the Pension Board. However I believe that the payment of €267,689 will be required to be front loaded in 2013.

The total cost involved is equivalent to 2.28 times my annual remuneration package to purchase the 6.42 years I have left in service. By my estimation it will result in savings of over €350K for the CRC over that same timeframe while allowing for a replacement Chief Executive. A schedule of all calculations is attached.

All of the above terms should be covered by a Confidentiality Agreement.

I believe this to be in the best interest of the Central Remedial Clinic at this point in time and hope to have your agreement at your earliest convenience.

With best wishes,



Paul Kiely
Chief Executive
4th March 2013.

LEAVING DATE OF 16TH JUNE 2013

TIME TO NRD 16TH NOV 2019 6.4167 YEARS
 TIME TO ERD 16TH NOV 2016 3.4167 YEARS

PK	SALARY	ALLOW	TOTAL	
SALARY	223849	19016	242865	
ER PRSI	24064	2044	26108	
ER SUPERANN	55962		55962	
TOTAL	303875	21060	324935	COST TO NRD -2085012

ANO	SALARY	TOTAL	
SALARY	125000	125000	
ER PRSI	13438	13438	
ER SUPERANN	13750	13750	
TOTAL	152188	152188	COST TO NRD 976542

PK TO ERD	PENSION	TOTAL		
PENSION	80000	80000	COST TO ERD	273336
SCSB PAYMENT	200000	200000	COST TO ERD	200000
IPT MAX PFT	267689	267689	COST TO ERD	267689

**REPRESENTS
COST OF
2.28 YEARS**

SAVING TO NRD 367446

NRD = Normal Retirement Date
 ERD = Early Retirement Date

**PAUL KIELY
 CHIEF EXECUTIVE
 4TH MARCH 2013**

CRC's Approach to Consulting HSE re Recruitment of CEO

From: Hamilton Goulding [redacted]
Sent: 11 April 2013 20:03
To: Paul Kiely; Brian Conlan; Jim Nugent
Subject: CRC - Recruitment

Dear Paul, Brian and Jim,

I am looking for some advice on how we deal with the HSE over Paul's replacement. I am not well versed in how they operate or how best to approach them. You, particularly Paul and Brian, have long experience and understanding of how best to deal with their officers. Since the letters undertaking to consult them about this issue went to Laverne McGuinness, it would seem that she should be the person to whom first contact should be made.

I think we are all agreed that we need to take the initiative with them. If we just sit tight it is inevitable that they will react fairly soon, and come looking for details and explanations which will already have put us at a disadvantage.

If we bring the subject to them before they hear about it from other sources we will have taken the initiative and have more control of the discussions initially.

Therefore I will need to make initial contact sometime early next week.

The question I am considering is whether it is best to send a letter fully explaining the issue, all the details and our justification for what we are doing and try to deal with the whole matter by correspondence, or whether with minimum information to simply request a meeting on the subject of Chief Executive Replacement and leave all the detail to be dealt with face to face.

The first thing is to inform them that recruitment is taking place, that we have committed contractually to a process for implementing it and that we will be controlling it as we are entitled to do.

After that the essential matters which we really need to agree with them are:

1. That the post continues to be sanctioned and funded by HSE
2. That the incoming CE can enter into the SPSPS
3. That we can, by use of our independent funding, augment the salary above their standard rate.

It seems to me that we can almost assume that point 1) is a given, and it might be best to presume that 2) is also automatic. When it comes to 3) we will be pointing out that we are coming significantly more into line than we were before, that this is a major step forward towards implementing their policy. It is unrealistic to appoint a CE at a rate significantly less than the other Senior Management personnel, whose salaries are also known to HSE.

Is it wise (or even correct) to state that we know that most other Section 38 organisations are paying Chief Executive salaries well above the €105,400 rate?

Would we even suggest that we are making this replacement because of our recognition of the extent to which we were out of line and our wish to get back into conformity?

I would very much value your comments and advice,

Best regards,

Ham

New CEO's Briefing Note on CRC's Meeting with HSE (9/9/2013)

Meet in with HSE 9/9/13

2pm in HSE DNE Headquarters, Swords Business Park, Balheary Road, Swords, Co Dublin

HSE Attendees: Angela Fitzgerald, Regional Director of Performance and Integration.

Ann O Connor, Area Manager.

Important discussion points:

- All available paperwork now supplied with exception of CRC Board minutes and confidential papers withheld by Amrops (scoring etc) on foot of their legal advice.
- Board have agreed that it will ensure that Mr Conlans Contract of Employment is fully compliant with the applicable pay scales with effect from 1/10/13.
- Meeting scheduled for 9/7/13 postponed at short notice by HSE. No reason given.
- DOF Letter of 2/5/13 responded to verbally by Paul Kiely to Angela Walsh on 21/6/13, confirmed by email to Jim Nugent on same date.
- Correspondence from HSE came from 7 different HSE officials (with often confusing requirements and addressees).
- Delays experienced in the receipt of correspondence due to the above and the HSE refusal to handle correspondence through the CEO office in CRC. First Performance Notice dated 15/7/13 was addressed to Mr Paul Kiely ex CEO, took over 1 week to retrieve.
- Tone and tenor of correspondence not conducive to good working relationships and cooperation.
- Lack of appreciation of CRCs legal independence and corporate governance requirement to fill the CEO post. Corporate Governance versus SLA.
- CRC always meets its Financial, Service and Headcount targets despite the obvious underfunding of the Day Activity Centres and the Waterford service and very apparent gap in funding versus other providers in the business. Also CRC accommodates at no cost the HSE

Reduction in management staffing from 11 to 5 since 2009 with corresponding reduction in management pay costs.

- Transparent recruitment process followed managed by Amrop Strategis. Plan (like HSE) to seek candidates from within in first instance and only proceed to external market if that proved unsuccessful.
- Internal recruitment for CEO/ Senior Executive positions completed in other DNE Organisations ie Mater, Cappagh, Temple St, why single out CRC?
- CRC desire to continue its good working relationship with HSE in service delivery to Children and Adults with Disability through the implementation of the Progressing Disabilities Strategy and the VFM Report on Disabilities. These Reports promote less central command and control and more freedom for the providers.

Brian Conlan
Chief Executive

Important dates re CEO Appointment

- 25/03/13 Board notified of PK decision to retire on 16/6/13
-Recruitment/Selection Committee set up by Board
- 08/04/13 Board Notified that Amrop Strategies selected following selection process
- 24/04/13 Letter to Laverne Mc Guinness from HG ? (don't have copy)
- 29/04/13 Internal advertisement placed in CRC, Job Spec made available
- 02/05/13 Letter from DOF (HSE) looking for business case to support replacement application
- 10/05/13 Closing date for applications (all applications to Amrops)
- 13/05/13 Board notified of 4 internal applicants in Phase 1 of recruitment
Noted that if this Phase was unsuccessful external recruitment is next route
ARJ added to selection panel to replace BC
- 20-23/05/13 Interviews in Amrop offices
- 24/05/13 BC notified verbally by HG of appointment as CEO
- 29/05/13 Letter of Appointment signed by HG and BC
- 29/05/13 Staff Announcement in CRC
- 01/06/13 Email from HG to Board informing them of choice of Selection panel/contract issues
- 10/06/13 Decision ratified officially at Board and AGM of CRC
- 13/06/13 Letter from AOC (HSE)
- 21/06/13 Email from PK to JN re contact with HSE (AW) on business case referred to DOF(2/5/13)
- 26/06/13 Contract signed JN and BC
- 26/06/13 Letter from LK to JN re appointment
- 27/06/13 Letter from HG to LK re appointment and salary
- 29/6/13 PK retires
- 01/07/13 BC commences in CRC
- 08/07/13 Letter from LK to JN re appointment
- 09/07/13 Date for meeting—postponed at short notice by HSE
- 15/07/13 First Performance Notice letter from LK to PK(retired)

19/07/13 Letter from JN to LK in response to his of 8/7

23/07/13 Letter from Laverne Mc Guinness to JN—First Performance Notice

06/08/13 Letter from Dermot Monaghan (DM) re Second Performance Notice rec 8/8/13

07/08/13 Letter from LMcG re Second Performance Notice

12/08/13 Letter from JN to LMcG re Second Performance Notice

14/08/13 Letter from Patrick Lynch (PL) Acting COO in response to JN letter rec 19/8/13

22/08/13 Letter from JN to LMcG cc LK

26/08/13 Letter from PL (LMcG office) acknowledging JN letter

30/08/13 Copy letter (LMcG) sent directly to LK following email exchange with PL

04/09/13 Letter from AF (HSE) re proposed meeting 9/9/13

06/09/13 Exchange of emails to confirm date and time of meeting scheduled for 9/9/13

Interim Administrator's Letter to Department of Education and Skills
(30/01/2014)

Department of Education and Skills,
Secretary General's Office,
Tyrone House,
Marlborough Street,
Dublin 1.

30th January, 2014

Dear Mr. O'Foghlú,

I am writing to you in my capacity as Interim Administrator at the Central Remedial Clinic (CRC).

The CRC manages a medical and therapy centre for children and young people with physical disability at its premises in Old Nangor Road, Clondalkin. Scoil Mochua, a non-denominational, co-educational special national school under the patronage of the CRC, is located on the same site. This school (Roll Number 1959F) is funded by the Department of Education and Skills. Children (58) with multiple disabilities attending this school also avail of CRC's medical and therapy services on an ongoing basis.

Both the educational and therapy services in Clondalkin operate from out-dated and poorly constructed buildings and prefabs, most of which are in deteriorating condition with very limited life expectancy.

I receive, relative to other CRC services, a disproportionate number of queries and representations in relation to problems with the accommodation in Scoil Mochua. I also receive, on a regular basis, report forms in respect of staff and pupils at the school detailing incidents that have or could cause harm. You will appreciate the condition of the school and its upgrading or replacement is, in the first instance, a matter for the Department of Education and Skills.

You may also be aware that at the meeting of the Public Accounts Committee on 16th January 2014, Deputy Robert Dowds made reference to the 'leaking roof' and 'dodgy electrics' at Scoil Mochua. This was widely reported in the media in the context of other difficulties experienced at the CRC.

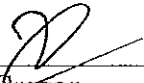
Notwithstanding the investment, through the Department of Education and Skill's Summer Works Scheme and Emergency Works Scheme, staff at the school remain concerned. I am given to understand that the School Principal has submitted a proposal in to your Department for the construction of a new school building but the replacement of the school is not included in the Department's priority list. Ideally, a new school should be linked to the therapy centre to provide ease of access for school pupils and to ensure close co-operation and teamwork between the on-site health and educational services.

The CRC has initiated plans to develop a new therapy building and it had been hoped that the new development would be operational before the oldest prefab deteriorates beyond use, circa 2015. The CRC appointed a Design Team to commence the design of the therapy building in 2013. This team has now submitted its draft State 1 – Preliminary Design report and is awaiting a formal response from the CRC before progressing to State 2a – Design : scheme design.

The capital development of the therapy services alone would sharpen the contrast with what are already considered to be poor educational facilities and would probably not be in the interest of children or acceptable to staff or the public. For that reason, I am suggesting that representatives of your Department and the CRC meet to determine if there an opportunity for the simultaneous development of educational and therapy facilities on this site. Ms Jane Mitchell, Administrator, CRC will be happy to brief your building/technical staff on the planning design in advance of such a meeting.

I look forward to receiving your views.

Yours sincerely,



John Gregan
Interim Administrator

Membership of CRC and Related Undertakings' Boards (2013)

CRC 2013	Members	Company Secretary	CEO	Audit Com.	Remuneration Com
Board of Governors Jim Nugent Ham Goulding Vincent Brady Ailbhe Rice-Jones Martin Walsh Hassia Jameson David Martin Pat Ryan Paul Kiely (From July) Mary Day (From September) Francis Sheppard (From August) Brian Conlan (To June)	Vincent Brady Hassia Jameson Jim Nugent Geraldine Cruess Callaghan Tom Moloney Dr Ken Holden	Paul Kiely (Jan - June) Brian Conlan (July - Dec)	Paul Kiely (Jan - June) Brian Conlan (July - Dec)	Ham Goulding Jim Nugent David Martin	Jim Nugent Brian Conlan Vincent Brady
Friends & Supporters of CRC	Members	Company Secretary	CEO	Investment Committee	
Board of Governors Ham Goulding Hassia Jameson Ailbhe Rice-Jones Jim Nugent	Ham Goulding Hassia Jameson	Paul Kiely (Jan - 10 July) Brian Conlan (10 July - 6 Dec)	Paul Kiely (Jan - 10 July) Brian Conlan (10 July - 6 Dec)	Ham Goulding Ailbhe Rice-Jones Jim Nugent	

Source : CEO Office, CRC

All Governors resigned 13 December 2013

CRC Medical Devices

Board of Governors	Company Secretary
Ham Goulding Vincent Brady James Nugent	Paul Kiely

Research Trust

Board of Trustees	Administrator	Ethics Sub Committee
Prof Desmond Swan Dr Owen Hensey Prof Marie Guidon Dr Martine Smith Brian Conlan* Martin Walsh**	Paul O'Donoghue	Dr. Owen Hensey Paul O Donoghe

* Never attended a meeting due to short time span as CEO

** Has not formally resigned. Meeting next week so it will know then.

The Trustee's sit on the Ethics Committee; a sub committee was started due to high volume and RT only meet twice a year.

The Care Trust

Board of Governors	Company Secretary	Remuneration Committee	Audit Committee
Paul Kiely (To June) Brian Conlan (From July) Jim Nugent Ham Goulding		Paul Kiely Jim Nugent	Paul Kiely Jim Nugent

Source : CEO Office CRC

CRC School Board - Clontarf	
Chair	Paul Kiely (Jan - June) Brian Conlan (July - Dec)
Acting Chair	Dr Owen Hensey
Patrons Nominee	Dr Owen Hensey
Parents Representative	Henry Flynn Joan Greville
Community Representative	Gregg Elliott Tom Kehoe (To Dec)
Teachers Representative	Louise Ramsey
Principal & Correspondence Secretary	Ann Jackson

* Has now resigned

Scoil Mochua Board - Clondalkin	
Chair	Paul Kiely (Jan-June) Brian Conlan (July - Dec)
Acting Chair	Dr Owen Hensey
Patrons Nominee	George Kennedy
Parents Representative	Larry Dolan Louise O'Hanlon
Community Representative	Dr Owen Hensey Patricia McCrossan
Teachers Representative	Eamon Kilbane
Principal	Anne McGrath
Correspondence Secretary	Anne McGrath

Source : CEO Office, CRC

Explanatory Note to Members of the Company – Friends and Supporters of the CRC



Explanatory Note for Members of Friends and Supporters of the Central Remedial Clinic (CRC)

Members of Friends and Supporters of the Central Remedial Clinic (CRC) are the original subscribers and any other persons admitted by the Directors. At this stage, of the seven original subscribers only two remain and no new members were admitted by the Directors under Article 3 of the Articles of Association. The members are, therefore, as confirmed by Board of the company at its meeting in September 2012 i.e. Mr Hamilton Goulding and Ms Hassia Jameson.

All the company Directors resigned in December 2013. If at any time a sufficient number of directors is not available to form a quorum, two members may convene an EGM in such manner as nearly possible as meetings are convened by the Directors (Article 8). All meetings other than the AGM are EGMs (Article 7). It has been indicated in a memo dated 7th February 2014 that the remaining two members would hold a meeting and, in the absence of a Secretary, the Interim Administrator could facilitate the convening of such a meeting in a manner as if convened by the Directors i.e. the Interim Administrator would issue the notice in writing calling the meeting and other necessary documentation.

However, business cannot be transacted at a meeting unless a quorum of three members is in attendance. At least two of the three members must actually be present and the third member can attend by proxy as specified under Article 12 which states '*save as herein otherwise provided three members present in person or by proxy (but not in any event being less than two persons) shall be a quorum.*' There is, therefore, no point in convening a meeting as such a meeting would only have a maximum of two members in attendance and the meeting would have to be dissolved under Article 13.

Article 21 states that, *subject to Section 141 of the Act, a Resolution in writing signed by all the members for the time being entitled to attend and vote at a General Meeting shall be as valid and effective for all purposes as if the same had been passed at a General Meeting of the Company duly convened and held...* It is, therefore, only open to the two remaining directors to transact business by jointly signing a resolution.



Article 44 envisages a situation where members might require a mechanism to propose a person for election as a Director. However, the current set of circumstances was not foreseen and it is necessary to now add a new article to enable the remaining members to appoint Directors as follows:

Notwithstanding Articles 2 and 44, where there are fewer than three directors of the company and also fewer than seven members, the remaining members (if three or more, by a majority) or member will, by way of a resolution, appoint sufficient persons as directors so as to ensure that the Company's affairs are properly managed.

The following course of action, supported by legal advice, is being advised to the remaining members for the restoration of sound governance:

- Draft resolutions to be circulated for the attention and consideration of the members on 14th February 2014;
- Boardmatch to complete, by 19th February 2014, the process of identifying five potential Board members and each to confirm in writing that he/she is willing to be appointed as a Board member;
- The final resolutions to amend the articles and appoint all five named persons to the Board to be circulated to the members on 20th February 2014 for signing and return by 27th February 2014. These resolutions, once signed and returned by the members will be as valid and effective as if they had been passed at a General Meeting; and
- Arrangements for the new members to meet will be made as soon as is practicable in accordance with the Articles.

Letter to Company Secretary and Directors of CRC Medical Devices
Limited from the company Auditors



RSM Farrell Grant Sparks
Audit • Tax • Advisory

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E dublin@rsmfgrs.ie
www.rsmfarrellgrantsparks.ie

STRICTLY PRIVATE & CONFIDENTIAL

Mr. Hamilton Goulding
Director
Central Remedial Clinic Medical Devices Limited
Millicent Hill
Kilcrooney Lane
Bray
Co. Wicklow

03 April 2014

Central Remedial Clinic Medical Devices Limited

Dear Mr Goulding,

We are writing to you as Director of the above company, in our capacity as it's Auditors, and under instructions from the Interim HSE Administrator to the Central Remedial Clinic and Friends and Supporters of the Central Remedial Clinic.

We enclose for your attention correspondence with Mr Brian Conlon originating from our letter to Mr Conlon of 5 February last.

On the assumption that Mr Conlon has not forwarded our correspondence to you, can you please review our letter of 5 February and revert to us in relation to the matters set out in that letter.

Given the circumstances we should greatly appreciate if you and your fellow Directors would revert to us as soon as possible on these matters.

Yours Faithfully,

RSM Farrell Grant Sparks

Strictly Private & Confidential

RSM Farrell Grant Sparks

Molyneux House

Bride Street

Dublin 8

4th March 2014.

Central Remedial Clinic Medical Devices Limited

Dear Sir/Madam,

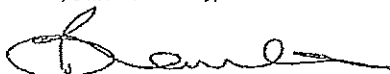
I refer to your correspondence to dated 27th Feb 2014 in relation to the above. In this regard I have to restate the position here. The CRC Board does not have the authority to appoint Directors to the Board of CRC Medical Devices. It can nominate as it did but not appoint.

CRC Medical Devices is a subsidiary of the Friends of the CRC a separate limited company from the CRC. The minutes of the meeting of the 10th June from CRC Board state that "when their respective Boards meet Mr Conlan will also replace ...". That approval was never processed through the Board of CRC MD. The minutes of the two Board meetings of CRC MD are available in the CEO's office and this can be verified. All the CRO paperwork is therefore incorrect and will be changed.

For future reference please do not send any further correspondence to my home regarding this matter. My legal representative is Mr Ian O'Reilly at Giles Kennedy solicitors. Any further correspondence should be forwarded to him.

Once again, I am sorry that I can't be of more assistance in this regard.

Yours Sincerely,



Brian Conlan.



RSM Farrell Grant Sparks
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STRICTLY PRIVATE & CONFIDENTIAL

Mr. Brian Conlan
The Secretary
Central Remedial Clinic Medical Devices Limited
Penny Ansley Memorial Building
Vernon Avenue
Clontarf
Dublin 3

27 February 2014

Central Remedial Clinic Medical Devices Limited

Dear Brian,

Thank you for your response to our letter of 31 January.

Further to your letter of 10 February please find enclosed minutes of the Board meeting of 10 June to which you refer. These confirm that you were appointed as Secretary and Director to the Central Remedial Clinic Medical Devices Limited. I also attach a copy of the B10 which was filed with the Companies Registrations Office, signed by you, which confirms your consent to act as Secretary and Director to Central Remedial Clinic Medical Devices Limited. You, therefore remain the Secretary and a Director to Central Remedial Clinic Medical Devices Limited and are still listed as such.

On the basis that you are still a Director and the Secretary to Central Remedial Clinic Medical Devices Limited, please confirm as a matter of urgency, that you have circulated our letter of 31 January 2014, in your capacity as Secretary to the Company, to all Directors of the Company namely, Vincent Brady, James Nugent and Hamilton Goulding.

Yours Faithfully,


RSM Farrell Grant Sparks

A full list of partners of RSM Farrell Grant Sparks is available at www.rsmfarrellgrantsparks.ie

Registered to carry on audit work by the Institute of Chartered Accountants in Ireland. Authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland. RSM Farrell Grant Sparks is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



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STRICTLY PRIVATE & CONFIDENTIAL

Mr. Brian Conlan
The Secretary
Central Remedial Clinic Medical Devices Limited
Penny Ansley Memorial Building
Vernon Avenue
Clontarf
Dublin 3

05 February 2014

Central Remedial Clinic Medical Devices Limited

Dear Brian,

We are writing to you as Company Secretary of the above company, in our capacity as it's Auditors, and under instructions from the Interim HSE Administrator to the Central Remedial Clinic and Friends and Supporters of the Central Remedial Clinic, in order to clarify a number of items in relation to Central Remedial Clinic Medical Devices Limited:

- I. Agreement dated 1 October 2013 between MMS Medical Limited and The Friends and Supporters of the Central Remedial Clinic, signed by you on behalf of The Friends and Supporters of the Central Remedial Clinic, for the disposal of certain assets of Central Remedial Clinic Medical Devices Limited :
 - a. Can you please provide details of what steps have been taken to date to enforce this agreement and what measures are proposed to address any non-compliance, by MMS Medical Limited, with the agreement;
 - b. Can you please advise what legal advisors were used by Central Remedial Clinic Medical Devices Limited in the execution of the agreement and provide a copy of all legal advice obtained;
 - c. Can you please advise what taxation advisors were used by Central Remedial Clinic Medical Devices Limited in relation to the taxation treatment of the agreement and provide a copy of the taxation advice obtained;
 - d. Can you furnish minutes of board meetings approving the above agreement;

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- e. We note the final signed agreement details the transfer of four motor vehicles. To date the Mercedes Sprinter Van 08 D 73100 has not been transferred to MMS Medical Limited. Can you please clarify the situation in this regard.
- f. We note a number of amendments were made from the Draft Heads of Agreement of 20 September 2013 and the final agreement of 1 October 2013 namely:-
 - i. The final signed agreement is between The Friends and Supporters of the Central Remedial Clinic and MMS Medical Limited whereas the Draft Heads of Agreement was between the Central Remedial Clinic and MMS Medical Limited.
 - ii. Per the Draft Heads of Agreement MMS Limited was to secure Contracts of Employment for the following employees:- Linda Orange, Ian Mould and Brian Madigan. Per the final signed agreement of 1 October 2013 Linda Orange and Ian Mould were to be subject to the transfer of undertaking.

We would appreciate an explanation of the above variances.

- II. It has come to our attention that some, if not all, of the books and records of the Central Remedial Clinic Medical Devices Limited have been transferred to MMS Medical Limited and the Directors of Central Remedial Clinic Medical Devices Limited no longer have access to these records. As you are aware the Directors have a responsibility under Section 202 of the Companies Act, 1990 to maintain proper books of account and it is a statutory duty of a Director to ensure that this requirement is complied with. It is a criminal offence for any Director of a company to fail to take all reasonable steps to ensure compliance with this requirement.

Can you please provide details on how the Directors propose to rectify the situation?

- III. It is noted that there is a lease agreement in place between Central Remedial Clinic Medical Devices Limited and S&T Property Management Limited in relation to the business premises at Unit 19 Seatown Business Campus, Seatown Road, Swords, Co. Dublin. Given the cessation of the trade how do the Directors propose to deal with this lease and any accruing costs for utilities, insurance security etc?
- IV. What is the proposal in relation to any remaining stock or assets located at the Swords premises?
- V. Can you please confirm all matters in relation to the staff pension scheme have been appropriately dealt with given the transfer of employees.
- VI. Have the Directors given consideration to the member of staff on extended sick leave. How do the Directors propose this issue be dealt with.



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- VII. As the trade has now ceased how do the Directors propose bringing about an orderly wind down of the business.
- VIII. Can you please confirm how the loan of €550,000 with the Central Remedial Clinic was treated during 2013. Furthermore can you please confirm the basis on which funds were transferred from Friends and Supporters of the Central Remedial Clinic to Central Remedial Clinic Medical Devices Limited in 2013.
- IX. Is it anticipated that any further letters of comfort will be sought from The Friends and Supporters of the Central Remedial Clinic.

This information will be required in the context of the completion of our audit work.

While we understand that it may have been the Director's intention to resign their positions it should be noted, it is our understanding, that no formal resignations have been received by the Company. Accordingly I have attached a copy of "The Principal Duties and Powers of company Directors as published by the Office of the Director of Corporate Enforcement which sets out your responsibilities as Directors.

In your capacity as Secretary to the Company can you please distribute this letter to all the Directors of the Company namely, Vincent Brady, James Nugent and Hamilton Goulding.

Given the circumstances I should greatly appreciate if the Directors would revert to us as soon as possible on the above matters.

Yours Faithfully,


RSM Farrell Grant Sparks