

## Terror rampage in London



Multiple deaths reported as stabbings follow van attack

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# ST JOHN OF GOD CHIEF'S SECRET €2M PAYMENTS

## Pepper's windfall as charity hides truth from HSE

**The IRISH Mail**  
ON SUNDAY  
**INVESTIGATION  
EXCLUSIVE**

ST JOHN of God chief John Pepper received more than €2m in secret payments at a time when the charity lied to the HSE and said no such payouts were being made, the Irish Mail on Sunday can reveal.

The astonishing revelation comes in the wake of a damning HSE audit set up as a

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result of an MoS exposé into clandestine top-ups to 14 executives at the charity, which received more than €500m in taxpayer funds in recent years.

As the MoS revealed, the audit says the

payments appear designed to circumvent HSE rules forbidding State-funded health agencies from breaking public-sector pay limits.

The practice – which recently resulted in some executives getting as much as €107,000 extra – saw the rules being flouted from as long ago as the 1980s. The audit even states that

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# St John of God as after bank turns

## Emergency funds are requested to maintain its services

By Michael O'Farrell

INVESTIGATIONS EDITOR

THE embattled St John of God charity this week asked for almost €10m in emergency funding from the taxpayer in order to maintain its services, the Irish Mail on Sunday can reveal.

Despite being severely reprimanded in a pending HSE audit into more than €6m in secret and unauthorised top-ups to managers, the charity has told the HSE it needs emergency cash to stay afloat.

The request was discussed in a meeting with the HSE on Friday and comes as the group – which receives €125m annually from the State – is plunged into further con-

### 'Multiple examples of a lack of candour'

trovery as the true scale of governance failures at the charity emerges.

The MoS understands that in recent months it has struggled to secure further finance facilities from its bankers and may have delayed payments to certain suppliers. Asked about this, a spokesman for the charity said it was 'discharging all of its obligations to its suppliers. It will not comment further.'

Although the entity contracted to the HSE – St John of God Community Services Ltd – is financially strapped, the group and religious order are not short of funds. According to an analysis compiled in 2009 for the Redress Scheme, the order

## DIRECTOR OF FINANCE QUILTS AFTER ABSENCE

THE long-serving Director of Finance at the St John of God group has resigned after being absent from work for a number of months.

The resignation of Annamarie McGill, right, was announced in an internal circular by acting group CEO Brother Fintan Brennan Whitmore.

Brother Whitmore stood in as a replacement for St John of God group CEO John Pepper, who has been on extended

sick leave.

Mr Pepper went on sick leave in the wake of secret top-up revelations that were first exposed by the Irish Mail on Sunday a year ago.

A spokesperson for St John of God said: 'Annamarie resigned of her own accord and in good standing.'

A new interim Director of Finance, Philip Halpenny, began work this week. He has previously worked as Executive Finance

Director for Stewarts Hospital

Both Mr Pepper and Ms McGill were among those who received the secret top-ups in 2013.

Since those revelations, another executive, Clare Dempsey, has agreed a backdated pay cut of €15,000 annually because her salary of €125,000 breached pay rules.

Mrs Dempsey was also among those who received a secret top-up.

## How MoS revealed secret payments

### THE BIG LIE

**NOVEMBER 5, 2013:** HSE puts pressure on St John of God to respond to salary queries.

**MID-NOVEMBER:** St John of God order engages external auditors PwC for advice over top-ups.

**NOVEMBER 19:** The then-CEO of St John of God confirms all salaries are in compliance.

**NOVEMBER 28:** Nine days after they tell HSE they are compliant, the governing body of the charity approves the payment of lump-sum compensation payments to 14 senior managers for a total cost of €1,847,646.

**NOVEMBER 29-30:** Lump-sum payments processed, and salaries of 13 of 14 managers, increased on the payroll.

### THE TRUTH OUTS

**JUNE 19, 2016:** The Mail on Sunday publishes details of the charity's manager's trip to a luxury US hotel. We ask Br Donatus Forkan how St John of God became compliant with HSE pay policy. He says he can't recall.

**JUNE 24:** The MoS contacts the charity about lump-sum compensation payments allegedly made to 14 managers contrary to public pay policy.

**JUNE 25:** St John of God contacts the HSE to tell them about the payments.

**JUNE 30:** Meeting is held between HSE HR and Social Care Divisions, and the charity admits the payments were made to the 14 managers – without either informing the HSE.

**JULY 3:** MoS publishes these shocking details for the first time.



Saint John of God

has property assets worth €522m.

Just a week ago, the HSE postponed a scheduled meeting with the charity's management, saying it could not consider appeals for more money until governance concerns that were first exposed by this newspaper a year ago had been dealt with.

But now that details of the HSE audit into secret payments have entered the public domain, there have been public calls for gardai to investigate and some public donors are demanding a refund of all of their previous charitable contributions.

It is likely that instead of addi-

tional funding the charity may face sanctions for having breached its service agreement with the HSE.

A proportionate percentage of funding can be withheld and requests for additional funding can be denied until non-compliance is addressed.

Conducted by Dr Geraldine Smith, who audited Console last year, the audit is scathing.

'The multiple examples of lack of candour identified by this audit raise fundamental issues of trust between SJOG and the HSE, its funder,' it reads.

'As a Section 38 entity which received a total of €511m from the

taxpayer between 2012 and 2015, this is a matter which must be addressed.'

In recent weeks, the charity has written to the Department of Health to outline once again the challenge it is facing in delivering some services at the current level of funding.

When asked about this letter, a HSE spokesperson said the funding concerns raised would be discussed once the internal audit process was complete, along 'with other matters including finance, governance, compliance with public pay policy and compliance with standards.'

The spokesperson said the HSE was 'not aware of any intent that

SJOG has to withdraw from delivery of HSE-funded health services in general.'

However it is increasingly anticipated in the health sector that the HSE may ultimately sever its relationship with SJOG. Though this would be difficult, the HSE can take over the services provided by the charity and allocate them to another provider.

A spokesman for the charity said it was 'in regular direct contact with the department and with the HSE' and that 'it is not appropriate to comment on the nature of discussions, which are ongoing.'

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limits. The practice – which recently resulted in some executives getting as much as €107,000 extra – saw the rules being flouted from as long ago as the 1980s. The audit even states that between 2013 and June last year the charity had many opportunities to disclose its non-compliance, 'but it did not do so until June 2016 when the compensation payments were exposed by a whistleblower and the Mail on Sunday'.

And when the HSE sought compliance from all charities, instead of stopping the top-ups, St John of God simply made them in secret to executives up to the point of retirement. This meant 14 managers shared

a huge pot of €1.6m in November 2013 alone. Mr Pepper, who went on sick leave after the MoS revelations, received just over €649,000; and finance director Annamarie McGill, regional director Clare Dempsey and procurement director Jane McEvoy were among those who shared in the payout.

Now the audit has found that four favoured executives benefited from a special private pension fund established in 1989.

It said this fund, financed to the tune of millions of euro by the St John of God order, was 'an additional top-up'.

And the MoS has discovered that Mr Pepper, whose title is chief executive of the St John of God group, was one of those four, and when the fund was wound up in

December 2013, he received a once-off benefit of €1,480,000, which he transferred to a retirement fund.

Combined with the secret €649,000 top-up, which was also funded by the St John of God order, this means undeclared payments to him added up to €2,129,000 in 2013, far more than previously thought. Yet throughout this period the charity gave signed compliance statements to the HSE, a requirement in order to ensure continued funding of the €500m in taxpayer funds in recent years.

'All remuneration... is in accordance with DOH [Department of Health] Consolidated Pay Scales and no non-Exchequer sources of funding are used to supplement employee remuneration,' a declaration signed by the

then CEO reads. The reality is that the charity was not compliant with public pay scales at all. Instead, according to the audit, it was displaying a 'lack of candour' that raised fundamental issues of trust.

Such was the extent of this that at, one point in 2013, the charity notified the HSE that a minor allowance of €3,927, paid to an executive, had been discontinued to comply with HSE rules, while not declaring that the same executive was receiving top-ups worth tens of thousands. Just ten days after this declaration, the executive concerned received a secret, undeclared lump sum of €89,602 as their share of the €1.6m paid to 14 senior managers.

At this time, the charity also submitted a





# ks HSE for €10m them down



**INCANDESCENT:** Brother Donatus Forkan and top-up recipients Teresa Mallon, Phil Gray, Bernadette Shevlin, Clare Dempsey, Pauline Bergin and John Pepper

THE full list of payments and secret top-ups in 2013 is detailed below. These one-off payments were to compensate the 14 for the loss of undeclared top-ups in place at SJOG for decades, which were discontinued in 2013. Before 2013, the 14 shared annual top-ups were worth a combined €528,755 every year.

## Full details of the 2013 payments and top-ups

### 1 PAULINE BERGIN (DIRECTOR OF DUBLIN SOUTH EAST)

Once-off 2013 top-up buy-out - €3,874  
Annual top-up before 2013 - €1,700  
Credit card expenditure 2010-2016 - €8,824

### 2 PAT CONROY (NO LONGER WITH SJOG)

Once-off 2013 top-up buy-out - €17,940  
Annual top-up before 2013 - €33,428  
Credit card expenditure 2010-2016 - €42,609

### 3 CLARE DEMPSEY (CEO ST JOHN OF GOD COMMUNITY SERVICES)

Once-off 2013 top-up buy-out - €59,815  
Annual top-up before 2013 - €23,168  
Credit card expenditure 2010-2016 - €17,072

### 4 ANN ELLARD (NO LONGER WITH SJOG)

Once-off 2013 top-up buy-out - €93,932  
Annual top-up before 2013 - €28,498  
Credit card expenditure 2010-2016 - €10,885

### 5 PHILOMENA GRAY (REGIONAL DIRECTOR)

Once-off 2013 top-up buy-out - €31,441  
Annual top-up before 2013 - €23,168  
Credit card expenditure 2010-2016 - €37,179

### 6 TERESA MALLON (DIRECTOR OF QUALITY)

Once-off 2013 top-up buy-out - €164,620  
Annual top-up before 2013 - €40,725  
Credit card expenditure 2010-2016 - €2,891

### 7 BERNADETTE SHEVLIN (SPECIAL PROJECTS DIRECTOR)

Once-off 2013 top-up buy-out - €55,978  
Annual top-up before 2013 - €33,428  
Credit card expenditure 2010-2016 - €15,019

### 8 SHARON BALMAINE (HR DIRECTOR)

Once-off 2013 top-up buy-out - €145,745  
Annual top-up before 2013 - €36,690  
Credit card expenditure 2010-2016 - €46,400

### 9 BERNADETTE CADDEN (CEO ST JOHN OF GOD HOUSING ASSOCIATION)

Once-off 2013 top-up buy-out - €57,916  
Annual top-up before 2013 - €28,851  
Credit card expenditure 2010-2016 - €4,349

### 10 BRENDAN MCCORMACK (ICT DIRECTOR)

Once-off 2013 top-up buy-out - €89,602  
Annual top-up before 2013 - €28,498  
Credit card expenditure 2010-2016 - €92,684

### 11 JANE McEVoy (PROCUREMENT DIRECTOR)

Once off 2013 top-up buy-out - €60,391  
Annual top-up before 2013 - €25,741  
Credit card expenditure 2010-2016 - €36,232

### 12 ANNAMARIE MCGILL (FINANCIAL DIRECTOR)

Once off 2013 top-up buy-out - €121,459  
Annual top-up before 2013 - €36,690  
Credit card expenditure 2010-2016 - €38,372

### 13 ANNA SHAKESPEARE (NO LONGER WITH SJOG)

Once-off 2013 top-up buy-out - €93,335  
Annual top-up before 2013 - €31,360  
Credit card expenditure 2010-2016 - €47,756

### 14 - JOHN PEPPER (GROUP CEO)

Once off 2013 top-up buy-out - €649,371  
Annual top-up before 2013 - €107,000  
Credit card expenditure 2010-2013 only - €72,446

**ACCOUNTANCY** firm PricewaterhouseCoopers advised St John of God in mid-November 2013 about compliance with the public pay policy.

According to the HSE audit, 'The payments were made on acceptance of professional advice received from professional financial advisers engaged by the Provincial and counsel of the HO-SJOG'. PwC were the external auditors of the charity at the time.

The report also details how PwC were paid €17,984 by the charity for the advice. After this - on November 28 - lump-sum compensation payments to 14 senior managers, totalling more than €1.8million, were approved.

Yesterday PwC said it did not wish to comment.

THE St John of God group last night refused to reveal whether its CEO is still being paid a full salary despite being on long-term sick leave. John Pepper has not been in work since October, but a charity spokesman said: 'Mr Pepper is on leave on medical advice, and we have no further comment.'

In 2014, the maximum amount of paid sick-leave for public servants was reduced to full-pay for 183 days of the year and half-pay thereafter.



business case to the HSE, in a bid to regularise certain employees who were receiving 'non compliant remuneration'. This stated that it 'does not pay top-ups to senior executives, however in order to ensure we are fully compliant with Health Sector Pay Policy we carried out a root and branch examination of the total remuneration paid to our circa 3,000 employees. Attached are 25 anomalies found as a result of this analysis.'

The audit found that 'none of the 25 cases included any of the 14 senior managers who were at that time in receipt of secret top-ups. It

also found undeclared top-ups were paid at St John of God from 1986.

In the months after the MoS exposé the group told the HSE that it had identified in excess of 80 further cases in which allowances and salaries were not in compliance with pay rules. None of these involved the 14 who shared previous pay-outs.

The audit also confirms that the charity's auditors, PwC, oversaw and calculated the secret payouts to the 14 executives, which were agreed in a specially-convened, 20-minute board meeting of the order, days before the payments were made.

The payouts were never identified in

a transparent manner in the audited annual accounts filed publicly.

In a move, which the audit described as 'difficult to comprehend', there were 'no terms and conditions and no signed agreements associated with any of the compensation payments'.

There were also no clawback provisions, meaning any executive who left before retirement, which happened in several cases, had been paid in advance for unauthorised benefits up to the point of retirement. St John of God has said it was

necessary to make the payments to 12 of the 14 managers to buy out potential future pension liabilities that might arise, an argument the HSE audit report completely rejects.

In a statement: 'St John of God also said: 'We do not believe that we have deliberately misled the HSE at any point.'

The audit has also expressed concern that an unknown number of employees working for private St John of God firms could have become enlisted in the HSE's public sector pension, something that creates an unknown risk to the taxpayer.

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