Witness Name: Yusuf Firat
Statement No.: WITN4699001
Exhibits: N/A
Dated: 31st January 2021

INFECTED BLOOD INQUIRY

WRITTEN STATEMENT OF YUSUF FIRAT

I provide this statement in response to a request under Rule 9 of the Inquiry Rules 2006 dated 11 December 2020.

I, Yusuf Firat will say as follows: -

Section 1: Background and general questions

1. Yusuf Firat, Address: GRO-C. DOB: GRO-C 1963, Chartered Certified Accountant with membership to the ACCA.

2. I held the Director of Finance ("DoF") position on a fixed term contract with Caxton Foundation ("CF") (formally paid by CF but also serving as the DoF of Macfarlane Trust ("MFT"), Eileen Trust, Skipton Fund Ltd. and Macfarlane & Eileen Trust Ltd.)

3. Held the DoF role on an interim (fixed term contract) basis for the above legal entities, overseeing the operational financial matters such as the grant claims from the Department of Health (DoH) and processing payments for the beneficiaries as approved by the Committees or Boards of Trustee / Directors for each entity, or as per the delegated authority to the responsible officer.

4. I was recruited by the CEO of CF, Jan Barlow, through Veredus recruitment consultants.

5. I have no other membership past or present of any other associations, parties, societies or groups relevant to the Inquiry's Terms of Reference.

6. I can confirm that I have not provided evidence to, or have been involved in, any other inquiries, investigations or criminal or civil litigation in relation to human immunodeficiency virus ("HIV") and/or hepatitis B virus ("HBV") and/or hepatitis C virus ("HCV") infections and/or variant Creutzfeldt-Jakob disease ("vCJD") in blood and/or blood products.

Section 2: Policy, Structure and Operation

7. I understood the objectives of the CF and the MFT primarily to be to support those individuals who had contracted blood related diseases through transfusion of contaminated blood products, and as a result having to live with such diseases as Hepatitis C, HIV, etc. The support was given through assessing applications for financial help from individuals and, if awarded, claiming due financial support from the DoH and passing this onto the individuals. I received the basic induction that included the five legal entities within the Alliance House Organisations (AHOs), teams and colleagues within the teams, contacts at the DoH for submission of invoices for grant monies and their remittance, Finance Assistant and the financial system related overview plus the filing system for historical grant claims and payments processing.

8. I reported to the CEO, Jan Barlow.

9. I never attended the Board meetings but only the Audit Committee or equivalent for the approval of the annual accounts.

10. There was no set time allocation as to how I split my time between different AHOs. The CEO instructions and normal business processes such as

management accounts, payments processing, etc. related priorities dictated what I spent my time on.

11. See below for each sub-question;

    a. I am not able to comment on the previous Finance Director's performance, however, as per the minutes there was a bank transfer between the MFET bank account and the MFT bank account. Although this was significant, it was not malicious or fraudulent – it was not in line with the financial policy and delegated authority, hence may be called 'ultra vires'. I believe this was due to the previous director not being able to keep up with the cashflow forecast and monitoring for each legal entity's bank accounts' incoming and out-goings. As I recollect, I believe the previous Finance Director found that the MFT bank account was running low on cash and the next instalment of grant income from the DoH was not going to be received before the instalment of payments to beneficiaries were due to go out, hence she took the decision to transfer from the MFET bank account temporarily without going through the proper channels and involve the CEO and the Board members. I believe the previous Finance Director also underutilised the financial system's capabilities and features, and did not develop the system, which did not help with the management of the finances in an effective and efficient way. For example, there was no purchase order processing in place hence no commitment accounting, no use of sales ledger, instead using Microsoft Office (Word and Excel applications) to generate 'invoices' for grant monies due from the DoH, no intercompany accounting hence duplication and triplication of transactions unnecessarily and also increasing the risk for human error, no online bank reconciliation within the financial system, and difficulties in comprehensive reporting with ease. All of these do not necessarily mean inaccuracies in accounts but they also do not make it easy to account, and leave the accounts prone to human errors – any such errors would not be significant, as the external audit process would be able to pick up on anything of a significant magnitude.

b. The 'legacy issues' were to do with the under-utilisation of the accounting system in place, Great Plains or Dynamics. I engaged the system support firm for Great Plains, m-Hance, and commissioned them to help me set up the purchase order processing, the intercompany accounting feature, bank reconciliation and cashbook module, and the sales ledger for raising 'invoices' to account for monies due in and the receipt of these as part of monitoring income. I ensured that m-Hance delivered training to the Finance Assistant, the internal IT colleague and myself for the use of the system, the new modules and features. I also developed the reporting for production of management accounts and ad-hoc reports for internal purposes i.e. for the Operations Director, the CEO and the Board, also for DoH purposes, for external audit and bank reconciliations.

c. The reference to "human error" is in relation to intercompany charges, i.e. shared costs between the five AHOs, such as postal franking costs, utilities, office supplies, etc. where one entity pays and then these are apportioned manually and recharged to the other four entities. Human error would be forgetting to recharge such costs or miscalculation of cost apportionments. These costs were rather small in comparison to the annual combined turnover or payments made to the beneficiaries, e.g. circa £1,500 or £2,000 postal franking costs per month if forgotten or miscalculated for cost apportionment, is a significantly smaller sum than over £50 million combined DoH grant per annum. In any case, the payments to beneficiaries were calculated by their circumstances and 'qualifying' for certain sums or entitlements, therefore my understanding was that there would not be any implications for beneficiaries.

12. I was on a fixed term contract with the AHOs (formally through the CF), and I was offered permanent employment by Christian Action Housing (Enfield) Association Ltd. in November 2017. I therefore left Caxton and the AHOs to

take up the permanent employment with the Housing Association in December 2017.

13. One member of staff for the Eileen Trust was a home-based worker and the remaining 8-9 members of staff, including me as a fixed-term contractor, used the same premises to support all the AHOs. I understand that although much of the significant AHO costs, such as office lease and service charges, staffing etc. would be borne by the CF, the CF would also receive the relevant "management costs" related funding from the DoH. There were strict bank mandates that ensured only those authorised by delegated powers had access to and were able to approve payments from the relevant entity's bank accounts, e.g. Jan Barlow, the CEO for MFT and CF was not able to approve any Skipton Fund payments.

14. There was a strict data security management with "Chinese Walls" approach to keeping these entities' data separate from each other. For example, within the accounting system (Great Plains), each entity had their own separate ledgers – in my experience and observations there, everyone observed the data security and privacy rules in the strictest manner and there was no data sharing without the approval of the relevant Board members and the officers, e.g. Skipton Ltd.'s Company Secretary. Separate files such as lever-arch and hard-copy files were kept for each entity, in separate cupboards under lock. Specific attention was given to the personal data related security and privacy, when for example, sharing beneficiary payments information with the DoH or for any payments made to the same beneficiary by more than one legal entity under the umbrella of AHOs.

15. I do not know why CF was the employer for all AHOs but it made sense for one of the AHOs to be the single 'employer' and contract manager for the service level agreement with DoH. I do not know for sure but I suspect there was also a historical reason, i.e. CF was the first entity to come about for the provision of support and distribution of financial assistance / compensation to people, who contracted blood related diseases through blood transfusion or use of blood products. There are benefits in the form of economies of scale,

i.e. negotiating contractual arrangements, provision of managerial and administrative support for all AHOs, etc.

16. Operations of the CF, MFT and other AHOs were kept distinctly separate with an "arms-length" relationship. I acted as the Director of Finance for all and administered their finances as totally separate legal entities, and provided financial stewardship for all with the same ethos.

17. My working relationship with the senior management was very professional and congruent. There were no difficulties at all throughout the period I was there as the Interim Director of Finance.

18. I never felt any conflict of interest in me working for both the CF and the MFT, or in fact any other AHOs.

19. Over the period exceeding two years, I had a number of contacts at the DoH, including; Ebrahim Jogee (Infected Blood Policy and Finance Manager), Dr Monika Preuss (Senior Policy Advisor) and Donna McInnes (Blood Safety & Supply Policy Team). There was one particular issue I recall through your document 'Email from Jan Barlow to yourself dated 4 August 2016.pdf' (**MACF0000046_103**) where DoH refused to pay the total costs of funds granted to beneficiaries for the previous year – this was certainly a departure from previous years' practice and the inconsistency did not make sense, as assessed financial support for beneficiaries were not fully funded by the DoH, expecting a charity that did not actively fundraise for voluntary income to fund such costs.

20. The CF and the MFT provided the forecast payments payable to the beneficiaries per quarter for the DoH allocations received.

21. In my view, the CF and the MFT were funded adequately for the administration and the management of the whole AHOs, and though I cannot comment on whether the funding for the benefits payable to the beneficiaries was adequate or not, DoH did pay what was forecast as the likely quarterly

spends for this purpose, with the exception of what is referred to in paragraph 19 above.

22. The CF and the MFT were operating independently of the Government as arms length organisations, with their own independent Board of Management / Governance arrangements, most members of which were expert professionals in the field of blood related diseases, who could assess the applications for support and judge whether the applicants would qualify or not. To my knowledge, there was no influence exerted by the DoH over the CF/MFT's finances or how funds were distributed. However, I was surprised to see that the Government made the decision to bring the work carried out by AHOs into NHS BSA. I believe this was the Government decision, which in my view takes away the 'independence' of decision making when it comes to the awarding (or not) of any financial assistance to those people, referred to as beneficiaries, who had contracted blood related diseases through contaminated blood products and suffered from serious health and quality of life issues as a result. In my view, the Government 'internalising' this service carried out by the AHOs brings about a serious conflict of interest.

23. Based on the forecast costs awarded to beneficiaries (and the running costs for the AHOs), my role was to provide the 'invoice' documents addressed to the DoH and submit these, then monitor for its payment and manage the cashflow accordingly for each legal entity within the AHOs.

24. I do not recall if the CF and/or the MFT made a business case to the DoH for increased funding during my time there. My role was to submit funding claims through the sales ledger 'invoicing' to the DoH as instructed, and to make sure these were paid by DoH on time, if not, to chase for payment.

25. I did not and to my knowledge no one else within the CF and/or the MFT raised any concerns and issues with the DoH about the funding, structure, organisation or running of the CF and/or the MFT, or about the involvement of the DOH, or about any other matter. However, I was and I know many

colleagues at AHOs were rather surprised and disappointed by the transfer of undertakings for all the AHOs to the NHS BSA.

26. With reference to linked email chain (**MACF0000046_103**);

    a. This matter was not resolved and as per James Mitchell of DoH the charity had to meet the costs relating to the previous year's awards of support to beneficiaries – this was rather disappointing because the grants were claimed based on forecasts and the subsequent quarterly claim would contain an adjustment for the previous quarter based on actuals, and a final year adjustment would always be needed for final year-end process and closure of the accounts. This process had been observed without issues in previous years but 2015/16 was treated inconsistently by the DoH.

    b. I do not recall any other disagreements with the DOH over funding.

27. I cannot comment on this – I was not involved in or aware of individual cases and therefore cannot recall if any beneficiaries had their benefits stopped as a result of the assistance they received from any of the AHO's. I did know that this should not be the case as the remit of each AHO was different and therefore one award from one organisation should not have an impact on the other's decision to award or not.

28. There were budgets/budget forecasts made by the CF and the MFT prior to the start of the financial year. The model used was a complex one with the four nations of the UK with specific allocation driven through a formula, i.e. likely number of beneficiaries, types of benefits they would be entitled to, consideration for discretionary (if any) grants, some country (four nations) based exceptions and limits/thresholds, etc. The methodology used was a jointly agreed one between myself, the CEO and the Operations Director. The budgets and forecasts were derived from the existing number of beneficiaries and the benefits they had been assessed for (and found to be entitled to), with the adjustments for any new additions in the pipeline or any beneficiaries (and

/ or benefits) expected to be coming off the list, basically reflecting the then 'current' known status with any anticipated changes. For areas of discretionary grants, these were based on past actuals, expecting a similar level of expenditure to the previous years.

29. If there were any spikes in funding applications for the CF and the MFT, these would be adjusted in the following quarter's claim i.e. an invoiced funding request would be based on the forthcoming quarter's forecast benefits and the previous quarter's adjustments against the actual payments of benefits (versus the invoiced funding).

30. As far as I recall there was no de minimis level of reserves for the CF and the MFT. However, the organisations were awarded set-up funding many years earlier and were expected to manage with these reserves – at the time of my tenure, there were circa £60,000 set-up costs related reserves remaining, which was used for developments such as new equipment or development of systems such as the financial system, Great Plains, to deploy purchase order processing, etc.

31. I cannot say whether the level of reserves impeded or otherwise had an impact on the CF and the MFT's negotiations with the Government for increased funding. No consideration was given to the level of reserves these entities should hold when funding applications were made – invoicing for funding only considered the benefit payments to beneficiaries and the running costs for the AHOs.

32. With reference to the email I sent to Peter Stevens and Susan Daniels dated 28 September 2016 (**EILN0000055_065**), England based primary beneficiaries were already receiving a winter fuel allowance through another entity within the AHOs, therefore did not need to receive winter fuel allowance again under Eileen Trust.

33. I cannot recall if there were any other 'anomalies' in payments to beneficiaries.

34. With reference to the email I sent to Keisha Hanchard dated 19 January 2016 (**MACF0000186_003**);

   a. It was not common to have a negative debt balance on beneficiaries' accounts – these would have been exceptions and could have arisen for a number of reasons, e.g. some benefit registered on the beneficiary account before the charity knew about their passing away. This dating back to 2014/15 was such an exception and due to its age, it was not known as to why it had come about.

   b. I do not recall the circumstances of the estate and I suspect Keisha Hanchard may well have investigated and not traced any representative of the deceased beneficiary's estate. The age and the relatively small amount could have also contributed to the decision to write off this £128.00. Also, the entitlement would have been null if the £128.00 was granted post-date of death.

Section 3: Discretionary Payments and Eligibility

35. The following lines of benefits were considered for budgeting; Winter Fuel payments, Regular payments, Trustee grants, Office Grants, Benefit Advice, Debt Advisor. For some AHOs there were definitive entitlements that were specific amounts and for some there were also discretionary payments (Trustee / Office grants), i.e. based on hardship claims.

36. I was not involved in the assessment of beneficiaries for "qualification" and the decision or the recommendations for payments. I am therefore not able to help with the eligibility criteria for different types of payments.

37. I had no role in approving payments made to beneficiaries by the CF or the MFT.

38. I cannot authoritatively comment on the fairness or otherwise of the decision making by the CF and the MFT, when assessing funding applications, as I was not involved in these processes. However, I was aware of specific criteria

and procedures being in existence and being applied consistently. An independent panel of staff and Board members involved in the award (or otherwise) of benefits and payments to beneficiaries. The level of diligence shown by the staff colleagues who were involved in the award (or the recommendation to award) payments was very visible, as the criteria and the procedure to assess, to recommend to decision making panels were often referred to. I also strongly believe that as there was no conflict of interest between the beneficiaries and the decision makers, there was indeed consistency and fairness when assessing funding applications.

39. Payments to beneficiaries were always made in a timely manner.

Section 4: Secured loans on beneficiary property

40. My knowledge and understanding of the MFT's secured loans policy and its application was limited to the MFT having a share in the capital value of the property purchase for which the loan was used. My understanding on the secured loan extensions was that any such extension had to be approved by the trustee board of the MFT. If the beneficiary had passed away, their estate had to return the MFT share of the property value to the MFT or the property would be sold for MFT to recover its due share of the capital.

41. My role with regard to the management of the existing MFT secured loans was to maintain the accounting entries for such loans, monitor and report to the Board for year-end accounts and external audit. I did not have direct contact with beneficiaries.

42. During my time at AHOs, there were no loans made, hence no need for any advice. All loans in existence had been awarded in the significant past. I am therefore unable to assist with this question.

43. I am not able to comment on whether the beneficiaries had a clear and full understanding of (a) what financial commitments they were undertaking by entering into a secured loan arrangement; and (b) the impact on related

matters, including their liquidity and credit rating, as I was not involved in the loans and did not have direct contact with the beneficiaries.

44. I do not know and I am not able to comment on how many beneficiaries were able to avail themselves of independent legal advice, nor able to comment whether any funds were made available by the MFT for this purpose.

45. I do not know and I am not able to comment on what approach would have been taken by the MFT if a beneficiary refused a secured loan proposal, or if they were prepared to settle the outstanding balance on beneficiary mortgages as a long-term payment or grant, without taking security.

46. I cannot recall if there was a specific policy or established practice (or not), regarding beneficiaries who were unable to repay loans, however I believe the MFT were able to consult with the beneficiary, where there were repayment issues, and seek to agree an affordable level of repayment. I also understood that no further loans were made to beneficiaries for property purchases and therefore a loan awarded in the past could not be rolled into another property purchase – at least this was the practice I witnessed for one beneficiary loan.

47. I was not aware of any pressure from the DoH to pursue a particular loan policy, i.e. to demand secured loans or demand repayment of loans, however there was an expectation that if a property purchased by loans from the MFT were to come up for sale then the MFT would be expected to recover its share in the capital value realised.

48. With reference to the extract from the MFT accounts for the year ending 31 March 2016 (**MACF0000038_025**);

    a. I did not have any role in decision making regarding the repayment of loans.

    b. I was aware of one particular loan where the beneficiary was reluctant to repay. Loan write off never surfaced as a possibility given that the loans were secured on property, hence if it came to it with the sale of the property loans could be recovered. However, loan write off was not discussed.

c. I do not know for certain what was included in the loan agreements entered into with beneficiaries. I therefore cannot answer the question as to why or whether it was a general policy that loans were not repayable on an ongoing basis, whether it was an option for beneficiaries and whether beneficiaries were told about the benefits of repaying their secured loans in instalments. I believe the answer is yes it was an option that beneficiaries could repay their loan in instalments and yes they were told the benefits of doing so at the outset when the loan agreements were signed.

49. I did not and still do not have any concerns about the MFT taking securd loans on beneficiary properties. This seemed like a really good support for beneficiaries, with options to repay in instalments or locked as a share of the capital in the property. The MFT loans were enabling beneficiaries to have a safe secure property, the ability to own their own homes and independent living without excessive financing costs. I likened the loans to the social housing sector's shared ownership or stair-casing approach to owning your own home, a good scheme.

<u>Section 5: Complaints</u>

50. I was not aware of any complaints against the Finance department – it was very uncommon for the CF or the MFT to receive complaints, specifically about the performance of the Finance Department.

51. I did not have direct contact with any beneficiary, and I was not aware of any beneficiary articulating concerns about the CF, the MFT or other AHO's. There may have been the odd query about when they would be paid and the Finance Assistant or I were able to respond appropriately if the payments had been approved and if not, we would consult with the operational colleagues who were overseeing the payments approval processes.

Section 6: Other

52. I do consider that the CF and the MFT were well run. I believe that they achieved their aims and objectives. I do not think there were any difficulties or shortcomings in the way in which the CF and the MFT operated or in their dealings with beneficiaries and applicants for assistance. However, I think there could have been more transparency within the governance structure, i.e. The Director of Finance and Operations Director were not in attendance at all Board and Committee meetings and by having these two key roles, in addition to the CEO, at the Board and Committee meetings, transparency and accountability could have been improved even more. This perceived lack of transparency was particularly concerning for staff when there were discussions between the CEO, the Board and the DoH going on, with the CEO being the sole person communicating with both parties separately (Board members and DoH).

53. Nothing further to add.

Statement of Truth

I believe that the facts stated in this witness statement are true.

Signed GRO-C

Dated _31st January 2021_