



# PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

**AFTERNOON SESSION: 4.01 p.m. – 6.00 p.m.**

**Gibraltar, Thursday, 20th November 2025**

## **Contents**

<b>Order of the Day .....</b>	<b>2</b>
<b>Government Motion.....</b>	<b>2</b>
Adjournment.....	24
<i>The House adjourned at 6.00 p.m.....</i>	<i>24</i>

# The Gibraltar Parliament

*The Parliament met at 4.01 p.m.*

[MADAM SPEAKER: Hon. Judge K Ramagge GMH *in the Chair*]

[CLERK TO THE PARLIAMENT: P A Borge McCarthy Esq *in attendance*]

## Order of the Day

### GOVERNMENT MOTION

5

**Chief Minister (Hon. F R Picardo):** Madam Speaker, before Mr Clinton continues, if I can just give the House an indication of timetabling. It is my intention that the House should today sit until approximately 6 o'clock. We have the general meeting of the GSLP this evening, 50 years after we started, and we can take a comfort break at any convenient moment between 10 to and 10 past 5, when Mr Clinton sees that he is reached a convenient moment and then we would adjourn any time between 5 to and 5 past 6, at any time that we reach a particular point where Mr Clinton might think it is convenient to adjourn, unless he finishes before then.

10

**Madam Speaker:** All right, the Hon. Mr Clinton.

15

**Hon. R M Clinton:** Thank you, Madam Speaker. If I can just give a brief recap of where we got to this morning. I set out the Opposition's view, anyway, that much of the Government's position was wrong and that the Chief Minister had got some stuff wrong, as indeed, as I then pointed out, the Deputy Chief Minister has also got some stuff wrong.

20

I also went through, Madam Speaker, my background as a professional auditor. I am 30 years post-qualified, and I have practical experience, although I am retired, of the process of auditing and the process of being audited. I have been on both sides.

25

And then, Madam Speaker, I gave the House a brief Audit 101 introduction to auditing in terms of what an audit is and what an audit is not. An audit is not a witch hunt, an audit is a process in which you are trying to get positive assurance on the accounts and certain statements. It is not about finding things wrong.

30

I also went through, in terms of how you go about getting audit evidence, how an audit is usually performed by a team, certainly an audit of a Government account of this size, the Gibraltar Audit Office is made up of 20 people, and so the 500-page report is not the product of one person's work, but that of 20 people.

35

I also then went on, Madam Speaker, to explain the difference between public sector audits and private sector audits, and how in the public sector we have the concept of value-for-money audits, looking at economy, efficiency and effectiveness, and those are not time-limited. Those will look at any period of time to look at the particular theme that they are examining.

And I made the point, Madam Speaker, that those are different to a statutory audit point of time audit, and there is no discrepancy between one and the other, because they are different processes and are doing different things. The general public must not confuse or conflate the two

and any suggestion that if you are reporting on a statutory audit at a point in time, that you cannot have a value-for-money audit run in parallel, looking at other periods of time.

40 And then, Madam Speaker, I went on to look at the audit reports and the wording of the audit report, and the claim by Government that the audit report had got top marks and was a clean bill of health. And I made the point, Madam Speaker, looking at Hansard on 23 September 2025, that the quotation from the audit report was not a full statement of what was in the report, and that the words except for had been omitted. And the omission of the words except for, Madam  
45 Speaker, means that the audit report is qualified and therefore cannot be described as a clean bill of health or having achieved top marks. And this, Madam Speaker, is not my opinion. This is basically the convention as to how audit reports are written.

Madam Speaker, having said that, it is also important that I back up the assertion in the Principal Auditor's report that there is a qualification. And, Madam Speaker, it is a process which  
50 will require the House to make reference to the Principal Auditor's report itself.

The Deputy Chief Minister made reference as to how the audit report is structured, and he said, quite rightly, there are six parts. The first part is a general introduction, which is part one, and part six is just general audit matters. So the real meat of the audit is in part two, which is the audit or the annual account statements, which relates to the point in time of 31st of March, 2019.

55 The other audits, especially in part five, those are value for money audits, which, as I said, do not have a particular timeframe ascribed to them. When I say the accounts are qualified, I draw the House's attention to, in part two, 2.3.1, Misallocations and Anomalies noted in the Public Accounts, which is on page 43. And, in fact, on page three, which is a general statement about the annual account statements, the Principal Auditor has this to say in 2.1.4. He says, apart from the  
60 bit about getting the final set of accounts on 30th of May, 2025, which the Leader of the Opposition has already referred to, and he says:

I need to highlight that there were a number of audit adjustments relating to revenue and expenditure transactions that the Accountant General did not agree to adjust, which I have commented in paragraphs 2.13.1 to 2.13.13 of  
65 this report.

That is the section I just referred to, misallocations and anomalies noted in the public accounts, which is on page 43. If you go to page 43, and there is one thing that I want to make clear to the House, is if you were to look at last year's public accounts, on the bits about the annual account  
70 statements, there is not a similar provision to this year.

There is not, in the index, on the annual account statements, anything about any misallocations. In fact, last year it ends on Arrears of Revenue, which is 2.12.1 this year. So, 2.13.1 is, in fact, entirely new. This was not there last year and, Madam Speaker, there is a rather unkind joke about auditors, and the joke goes, why did the auditor cross the road? And the answer is,  
75 because he did it last year. Auditors are creatures of habit. They tend not to add things unless they have to. So, normally the format would follow exactly the same format as it probably has done for years.

But this year, there is an entirely new section that was not there last year and why is that? The reason is, there is £1.4 million of misallocations and anomalies. £1.4 million. And there is four of  
80 them. There is one which is highlighted in bold in 2.13.2, of a million pounds which is erroneously credited under the wrong subhead. Then, in 2.13.5, there is £267,259 which was over credited to revenue pending further investigation. Then, in 2.13.7, there is £34,150 which apparently was allocated under Head 2, Subhead 2(7)(b) Other Grants and Donations, but the principal says, should have been more accurately been recorded under Legal Fees. Then, on 2.13.9, there is  
85 £103,810 in bold, on a misallocation, again. Now, these misallocations and misclassifications are not disputed by the acting Accountant General.

But what has happened, Madam Speaker, is the Accountant General, contrary to the views of the Principal Auditor, refused to adjust them and Principal Auditor said this in 2.3.1.2:

I reiterated to the Acting Accountant General that I did not consider that misallocations should be dealt with by way of adding explanatory notes to the accounts. The appropriate way was to correct these by way of journal entries.

And so, Madam Speaker, what happened was the Accountant General took the view that given the significant amount of time elapsed, which is in 2.13.11, and given the Treasury's resource constraints, she was of the view of not being efficient to proportionate use of resources to process the retrospective journal entries for transactions dating back five years, she believed that including explanatory notes in the accounts for each of the misallocations was a transparent and responsible approach. It ensured the reader of the accounts was fully informed, maintained the integrity of the historical financial data, and provided clear accountability without compromising system controls or diverted limited resources into the Treasury from current priorities.

But of course, Madam Speaker, that is a divergent view to the Principal Auditor. So what we have here, Madam Speaker, is a difference of opinion and this feeds through into the public accounts of Gibraltar, which are from page 259 onwards, where the Accountant General's report provides the year-end position for 31st of March 2019.

What is new in this account is on page 261, where there is an introductory note. An introductory note is basically relating to these four adjustments. The £1 million, the £267,000, the £103,000, and the £34,000.

And it is not a question of dispute, Madam Speaker. The Accountant General accepts that these are in the wrong place. It is just that the Acting Accountant General, decided that it was not going to be adjusted. These numbers, the Accountant General said, look, I am not going to adjust it. I am going to put it by way of note. And yes, the notes are there. The notes are there on page 283. There is a note about £267,000. There is a note on page 298 about the £34,000. There is a note on page 399 about the £103,000. And there is a note on 427,000 of the £1 million, which went to the wrong place. But Madam Speaker, it is a difference of opinion with the Principal Auditor. And so, Madam Speaker, the accounts are therefore qualified by way of disagreement.

Now, some may argue that I have misinterpreted this. Well, I do not think I have. But if you need any proof, Madam Speaker, you do not have to take my word for it. Because the Accountant General herself says on 3.5.12 on page 118, she says, however, while she understood that a notes-based approach might lead to a qualified opinion on the account, she had hoped that the rationale provided might support a more flexible resolution. I therefore verbally informed the Accountant General I maintained that the correct procedure was to adjust the misallocations by audit journals.

And so, Madam Speaker, here we have the Acting Accountant General herself, accepting that the accounts would be qualified because of this disagreement with the Principal Auditor.

And so, Madam Speaker, the opinion of the Principal Auditor on the public accounts of Gibraltar are therefore not clean. You just have to read the report for yourself. It is there. It says so itself on page 255, except for the relevant comments contained in my report. Now, as to regularity, we could have a whole debate as to whether legal fees should have ended up under Grants and Donations. And in fact, Madam Speaker, it is even more bizarre because on page 115, these legal fees continue into 2019, 2021, 2022, and 2023. It is a remarkable misallocation. And the rationale or the reasoning behind it is there. But it is £434,000 that is being described as Grants and Donations. I do not think that was the intention of Parliament to have legal fees paid and described as grants and donations and therefore, that speaks to regularity, Madam Speaker.

And so, Madam Speaker, just on this particular page, it is sufficient to explain why the accounts are qualified and, of course, there are other areas within the accounts or other areas within the audit for that particular year where the Principal Auditor has raised points, some of which I will deal with later. And so, Madam Speaker, let us just be clear. The accounts for 2018-19 are not clean. The Government did not get top marks. They are qualified. And as I said before, this is not my opinion. I mean, Government can get an opinion from any auditor you want. And we get the same answer.

I wonder, Madam Speaker, whether this top KC in London, Mr Fisher, has even read the audit opinion, or whether he has an opinion on the opinion. Or maybe he was not even shown the

opinion. I do not know. We do not know. We do not know what Mr Fisher has actually looked at or has not looked at. But, you know, the undeniable truth of it is, as I have set out, the opinion is qualified - It is not clean.

145 Madam Speaker, to what extent people can place any reliance on anything else the Government has said has to be looked at in that context. And indeed, Madam Speaker, I am grateful to the Chief Minister for having updated my Law 101 because the last time I heard of a concept was the citizen on the Clapham Omnibus. But it would appear now Porter and McGill has updated it to a fair-minded and informed observer. And so, Madam Speaker, I ask, what would a  
150 fair-minded and informed observer make of the Government's interpretation of the audit report?

And I will keep on mentioning this Porter and McGill, because it is rather useful. In fact, Madam Speaker, we should perhaps localise it and talk about the average family on the beach at Catalan Bay or Eastern Beach. What would they think of the Government's interpretation of the audit opinion? A fair-minded and informed observer.

155 And so, Madam Speaker, having dealt with the audit report itself, I now want to deal with some other matters. I am not going to repeat what the Hon. Leader of the Opposition has gone through. I would rather go and look at some areas in which I can perhaps add a different perspective and that is the Savings Bank.

Now, the Savings Bank, dare I call it saga, is unfortunate. And there is a couple of things I need  
160 to unpack there, because there are distinct issues that arise and that is the publication of the audited accounts of the Savings Bank and the concept of the compliance audit of the Savings Bank. They are two distinct but parallel issues. The first point I need to address, which, to a degree, goes to the heart of the matter, is the idea that the Savings Bank somehow does not form part of the public accounts of Gibraltar and the thing is, Madam Speaker, is that we have this bizarre situation.  
165 We have the Savings Bank Act of 1935 is updated, and then you have the Public Finance (Control and Audit) Act of 1977. But, in fact, there are overlaps. And the overlap is on the section, I believe, 52 of the Public Finance (Control and Audit) Act, where there is a list of what will be given to the Principal Auditor by the Accountant General and it includes, under 52, subsection 2, letter J, a statement to the account of each special fund, showing respect to each fund, investments or other  
170 assets.

Schedule A of the Public Finance (Control and Audit) Act actually lists the Savings Bank fund as being a special fund. And therefore, Madam Speaker, to say that the Savings Bank does not fall under the purview of the Principal Auditor, as has been said by the Chief Minister on the 24th of September, when he was talking about talking about the constitutional rights of the Principal  
175 Auditor. And he says:

there is nothing in Section 74 of the Constitution that allows the Principal Auditor, past, present or future, to argue that the...

180 there is a typo here:

the public accounts of Gibraltar include the accounts of the Savings Bank. These are not public accounts.

And then he goes on to say, on subparagraph 250:

185 they are not the public accounts of Gibraltar.

And 260:

190 neither are the accounts of any stretch of the imagination part of the public accounts of Gibraltar.

But Madam Speaker, by virtue of the Public Finance Control and Audit Act, they are. And furthermore, Madam Speaker, if you look at the Audit Certificate's opinion on page 254, he says,

195 I certify I have audited the public accounts of Gibraltar for the year ended, as required by the provisions of Section 74(1) of the Constitution. These comprise the statements of accounts as specified in Section 52 of the Public Finance Control and Audit Act 1977.

200 And indeed, Madam Speaker, if you look at the back, on page 440, there are the accounts of the Savings Bank, in black and white. So, the Savings Bank, by quirk of accident, seems to be covered by two sets of legislation, but is most definitely part of the public accounts of Gibraltar. And if you need any other further proof, Madam Speaker, you need only look in the Estimates Book, every year, there is a page on the Savings Bank. Therefore, ergo, public accounts of Gibraltar. And so, that is not right, I do not think, Madam Speaker, to say they are not the public  
205 accounts of Gibraltar. They are.

And this is where it gets a bit convoluted, Madam Speaker. Because the Savings Bank Act, which dates back to 1935, obviously has evolved over time and so the Clause 12, which has been talked about, was still Clause 12 in 1935. And Clause 12 in 1935 said:

210 Annual accounts of the revenue expenditure of the Savings Bank, and of deposits received and repaid, and interest credits of deposits during the year ended on the 31st day of December, together with statements of the assets, liabilities, and savings, shall, after being audited and certified by the auditor, be laid,

and this was not by the auditor in those days, by the Treasurer, before the Governor,

215 not later than the 31st of May, ensuing in every year, and shall, as soon as practicable, thereafter be published in the Gazette, and submitted to a Secretary of State.

To a Secretary of State, Madam Speaker. That is how important these accounts were. And  
220 indeed are.

Now, over time, for some reason, the, as soon as practicable, disappeared from the Act and therefore, the current wording in the Act does not give a time frame for the gazetting of the accounts. But Madam Speaker, the thing about the gazetting of the accounts, and you have to remember that this was drafted in 1935, the original Act. In 1935, Madam Speaker, this place did  
225 not exist. We did not even have a Legislative Council, which I think is 1950, the Deputy will be able to fill me in on that and therefore, the only way of really making them public was to gazette them. There was no mechanism for tabling them, there was nowhere to table them, but they did go to a Secretary of State. And the reason they went to a Secretary of State is that they created a potential liability on the consolidated fund if there was a deficit to be made up. And therefore  
230 they were very important.

And they continue to be very important. Now, the Principal Auditor has made, and this is where common sense could have prevailed, but has not. The Principal Auditor makes the point on page 22 of his report, which in fact is part of the annual account statements, that the gazetting of the report is taking far too long.

235 I mean, he made the point when he did this report in 2018-2019, they were over five years overdue. Because the thing is, Madam Speaker, under the Act as amended, the Minister for the Savings Bank gets the audited accounts before the end of the following year. He has them in his possession and they are important accounts, Madam Speaker. We are talking about now somewhere close to two billion pounds of deposits. It is a very important institution and 99.99%  
240 of pensioners in Gibraltar have their life savings there. We know that.

So, originally in 1935, there was an intention they should be gazetted as soon as practical. The Minister for the Savings Bank, for whatever reason, like I really do not understand, has adopted a view that he will only gazette the accounts when the public accounts for Gibraltar are released. And the public accounts, he actually gazetted the accounts for 2018-2019 on the 10th of July this  
245 year. The 10th of July this year. There is no reason why they could not have been gazetted sooner. And the problem is this, Madam Speaker. This is a matter of real public interest. This is people's money. This is no longer about taxpayers' money. This is people's life savings.

Sir Joe, the Father of the House, used to produce a report on annual account. They used to send out to all the depositors, although he has not done so recently and in there, apart from a little message from him as the Minister of Responsibility for the Savings Bank, he would include the audit certificate, the balance sheet, but not the list of investments or the full report. But I guess it is better than nothing.

But this is the problem, Madam Speaker. We are getting nothing. We are getting nothing on a £2 billion special fund in which has a potential liability to the taxpayer. Not to mention that depositors have all their life savings there.

Madam Speaker, I am not for one minute suggesting there is anything untoward going on. But all I am saying is, given the original intention of the 1935 Act, given its importance, given the public interest, these accounts need to be public. Now, why the Minister for the Savings Bank does not do it is beyond me.

It is not that, you know, I read the Principal Auditor's report when it came out in the summer and I thought, wow, he is got a good point. No, Madam Speaker, the Minister for the Savings Bank will know that I have a bee in my bonnet about this and it is not that I have copied from the Principal Auditor or the Principal Auditor copied from me. It is just a fact.

In fact, Madam Speaker, back in, a while back now, I think it was 2017, yes. In February 2017, Madam Speaker, I introduced a private members' bill to the House and the private members' bill was a very simple amendment to Section 12B and that was to add the words, not later than 30th day of September, in suing in every year. My explanation was, basically, the bill adds a requirement for the Minister to publish within a month of the annual accounts of the revenue, blah, blah, blah.

Now, we had a debate about this on the 20th of February 2017. The Father of the House expressed his view and I expressed my view. But the problem is, Madam Speaker, the situation has not improved.

Madam Speaker, the fact that we are talking about the same accounts as appear in 2018 here, back on page, wherever it is, page 440 of the Principal Auditor's report this year, appear in last year's report because the Principal Auditor took it upon himself to publish them. And so, in his appendix, on page 68, you have got the identical accounts in fact, the identical accounts with the exception of the full notes that he counts. But the Principal took it upon himself to put them in last year. And not only did he put 2018-2019 in. He put in 2019-2020, 2020-2021, 2021-2022 and 2022-2023 and this year, he is put in 2023 and 2024. Why? Because the Minister for Savings Bank just will not do it. Why? I really cannot fathom.

Madam Speaker, there is a public interest in this. I do not think it is beyond dispute. It is very real interest to the general public that these accounts are made public.

Madam Speaker, what I find rather odd is the question as to how these accounts are to be made public. Because, Madam Speaker, the Principal Auditor, having put them in his report by way of appendix last year, thought he would try a different approach. He thought he would try and see if he can table them directly in this House.

What I find odd, Madam Speaker, is that the Chief Minister himself said, although, Madam Speaker, this is on Hansard of 24th September in paragraph 220:

Although, Madam Speaker, the practise is built up that the author of the report includes them in his report, nobody has complained about that. We have not said that the Principal Auditor cannot do that. He can put in his report the fruit of his work, if he wishes to do so. But he cannot require the Minister to do something which is in his power to law the time it says the Minister must.

I do not think the Principal Auditor is trying to do that. What the Principal Auditor is doing is trying to address the public interest, in which he is saying there is an excessively prolonged time for the Government to place these accounts in the public domain.

And, Madam Speaker, all he is doing, and this is the heinous sin he is accused of, he is trying in 2.7.33, he says, why he is doing it, he says:

In view of securing maximum public disclosure of the Gibraltar Savings Bank accounts.

Now, what on earth is wrong with that, I ask? These are important accounts, they are the public accounts of Gibraltar, as I have demonstrated, and they have practically everybody's life savings in them.

And so, Madam Speaker, the Principal Auditor is only trying to do that which he is really there to do, which is to be the watchdog of public finances. And I challenge the Chief Minister to go down Main Street and ask any fair-minded and informed observer whether or not that is a reasonable approach by the Principal Auditor. But, Madam Speaker, the thing is that all the Principal Auditor was trying to do was to make sure these accounts were in the public domain.

And, in fact, we end in this bizarre scenario whereby if the Principal Auditor puts it in his 500-page report, it is not a problem, but if he tries to table it by itself, it is a problem. And, Madam Speaker, I, again, a fair-minded observer might say, well, what is the issue? Because I do not see what the issue is. I mean, the Chief Minister seems to agree he can do it, the Opposition agree he can do it, let him do it, no big deal.

But we seem to have got into this complexity of arguments as to what he can and cannot do under the Constitution and whether the public accounts are not public, but they are public accounts. It is just that the Minister for Savings Bank, for his own reason, I find it hard to believe, Madam Speaker, I will find anything in the GSLP manifesto that says we will not publish the accounts of the Savings Bank until we choose.

Nor is it credible to suggest that this is somehow a reasonable policy of the Minister. In fact, if the Minister for Justice were here, I would suggest if he wants to conduct a judicial review, he should start with his colleague, because it does not make any sense, Madam Speaker. They are the accounts that relate to a very important institution, a much-loved institution in Gibraltar, in which the public are entitled to see the information. And the only reason, Madam Speaker, that the public can see the information today is because the Principal Auditor has put it in his report.

Madam Speaker, the Principal Auditor, and people may have forgotten this, was meant to retire last year. He was meant to retire last year. He was not meant to have finished this report. He was meant to be enjoying his retirement. And in fact, you know, he says at the end in his acknowledgement:

In my last report, I informed I will be retiring on the 3rd of April 2024 but, [he says] due to circumstances that took place shortly after, which were beyond my control, I was asked by the Deputy Governor, on behalf of His Excellency the Governor, if I could extend my service until a successor was selected to replace me. I duly accepted to stay on, which meant that I could not effectively retire until a replacement could be substantially appointed.

And Madam Speaker, that is important, because if there is this allegation of incompetence and political bias, and all sorts of other crimes alleged against the Principal Auditor, and indeed, the same charge would have to be levelled against the 20 people in the Government's Audit Office, that would have been apparent last year, Madam Speaker because this would have been his valedictory report, not this one. Not this year. So, you have to put that into the balance, Madam Speaker.

And the Principal Auditor, if he wanted an easy, quiet life, he could have just said nothing about the Savings Bank accounts. I said, well look, what do I care? I am retiring anyway. I am actually beyond retirement. Why create difficulty?

But this is it, Madam Speaker. He is a professional. He is fully conscious of his constitutional position, which is to be the watchdog for the public. The watchdog for the public finances of Gibraltar.

And even post-retirement, because he was technically almost retired, he has the integrity to follow it up and say, I believe I am doing this to secure maximum public disclosure. And so he includes it as an annex in the report. Madam Speaker, consider this.

Supposing, I speculate, hypothetically, supposing there was an issue with the Savings Bank how would we find out? Because the accounts do not go to the Principal Auditor anymore, they go



directly to the Minister of Finance. How would we ever find out in time? Do we have to wait five years before they get published? And why the delay?

And in fact, Madam Speaker, you know, I talk about the accounts, the public accounts being qualified. But in fact, Madam Speaker, if you look at annex A to the annual account statements, and I will come back to it in more detail when I go through the 39 issues I have identified in the audit report, you will find that on page 47, the Principal Auditor says there are other matters he has to report. It is not entirely clean. This is almost like an emphasis of matter paragraph. When there is a cut-off issue relating to half a million pounds were not accounted for, and this was a further number of clients for another about half a million which had been receipted, accounted for, similarly held, pending reinvestments, these deposits were classified as investments. That is in the audit report, Madam Speaker.

But we would never see this report. I mean, the Minister himself will not, as he is told, or rather in fact as the Principal Auditor has told us, he does not gazette the full set of audited accounts because he does not take the view that the notes and the opinion form part of the full audited accounts.

And in fact, Madam Speaker, until I read that paragraph, I had not fully appreciated how much information is contained in the notes and in fact the Principal Auditor's report. Because in fact, Madam Speaker, without the notes to the Savings Bank accounts, which I will go into more depth later, I mean, I would not know, for example, that the interest that has been charged on Government debentures, i.e. those issued by the Government of Gibraltar, is in fact pretty low.

It was in fact significantly lower than I might have expected. Yes. On £372 million of borrowing in 2024, the Government paid 1.5% interest to the Savings Bank at a time when the base rate was 5.25%, Madam Speaker. So the Savings Bank is subsidising the Government. But of course, without the notes to the accounts, without the other information, we would be none the wiser. And there is more on the Savings Bank accounts which I will talk about later on.

So that is the one thread on the Savings Bank, and that is the publication of the accounts. But the other thread, Madam Speaker, is something that could have been completely avoided and that is the bit where, in his motion, the Chief Minister talks about:

The Auditor's wish to carry out a compliance audit of the Savings Bank under the provisions of the Proceeds of Crime Act, which is *ultra vires* and constitutionally unfounded and without statutory authority.

Well, Madam Speaker, this could be entirely avoided. Entirely avoided is obviously a disagreement between the Government and the Principal Auditor but the way this has been handled is ham-fisted at the best.

Because, Madam Speaker, in my career in financial services, this is not the sort of thing that should happen. And if the Minister for Financial Services were here, he would probably be raising his eyebrows. Because, Madam Speaker, when you look at the discussion about the Savings Bank, and, Madam Speaker, before I go on, I have to emphasise a particular paragraph that the Chief Minister has omitted when he talks about the correspondence between the Principal Auditor and your office.

And that is in paragraph 2.7.47. The Principal Auditor says:

I am, of course, mindful that I followed my last correspondence with the Speaker of the Gibraltar Parliament in the latter stage of finalising my report to Parliament, and therefore, understandably, she would not have the necessary time to issue a reply in time for inclusion in this report.

Madam Speaker, there is nothing underhand in the Principal Auditor's communication. I thought I would just put that on the record.

So, Madam Speaker, on page 27, on the audit of the Savings Bank under the Proceeds of Crime Act. This is quite remarkable. There is something that probably the Principal Auditor himself may

405 not have realised, and there is obviously a lack of audit experience in terms of practicalities in Government departments.

Because, Madam Speaker, when I looked at the evolution of the 1935 Act, which Sir Joe, the Father of the House, will be very familiar with, and there were, I think I can tell the House in a minute, there were five amendments over time. One in 1971, one in 1991, one in 1992, another  
410 one in 2008, and another one in 2019.

Now, the first one was really just an administrative amendment which was changing the year-end. Two and three were the GSLP. In 1991 and 1992, the Chief Minister, sorry, the Chief Minister at the time, Sir Joe Bossano, included certain provisions in terms of the objectives of the Savings Bank. The GSD in 2008 made some amendments in terms of how the money could be invested,  
415 and this is an interesting debate in which Sir Joe Bossano was particularly engaged in.

The interesting thing is, Madam Speaker, is if you were to read Section 12 of the Savings Bank Act, it says here, annual accounts, revenue expenditure... shall, after being audited and certified by a business auditor, but then it says, Madam Speaker, in compliance with any relevant and applicable standards and it says be laid before the Minister, before 31st day of October, and then  
420 be published in the Gazette.

But these particular words, I want to focus on, Madam Speaker, in compliance with any relevant and applicable standards. Now, Sir Joe will remember, because he has a photographic memory, I think, of a debate in 2008, because he made a particular contribution on the amendment. And the amendment was, his contribution was perhaps technical, because it had the  
425 words, require the accounts should be audited in compliance with the requirements in relation to the audited accounts of a credit institution.

And Sir Joe took exception to the words, credit institution. And Sir Joe will, I am sure at some point, explain to the House why the Savings Bank is not considered a credit institution. In fact, it is not regulated by the FSC.

430 It cannot lend on its own account, because it is a deposit taker. It is not a credit institution. And it has grandfathering provisions on the relevant parts of the financial services legislation.

But the bits I want to bring to the attention of the House is a bit where the Chief Minister at the time, which is Sir Peter Caruana, talking to the Leader of the Opposition, Sir Joe Bossano, talking about, it is not a point that has been addressed with me, and I am reading Hansard here of  
435 the 18th of July 2008. And Sir Peter goes on and says:

I suppose it is arguable that even if it is not a credit institution, there is no harm in auditing it to the same high standards as if it were a credit institution. If the Leader of the Opposition prefers, we could just say, audit it to applicable and appropriate standards.

440 And this is the important point, Madam Speaker, leaving it to the Principal Auditor to decide what those applicable and appropriate standards are. And from what I can see, that amendment was (*inaudible*) but the intention was clear.

It is up to the Principal Auditor to decide what standards to apply when he is auditing the Savings Bank. And so, Madam Speaker, the Principal Auditor need not have relied on the Public Finance Control and Audit Act because he is empowered to audit to applicable standards that he sees fit. Now, Madam Speaker, I would be interested to hear what Mr Fisher has to say of an auditor, of a deposit taker, that does not consider anti-money laundering compliance risk.

450 Because, Madam Speaker, audit is based on a risk-based approach. If you do not consider the anti-money laundering risk in a deposit-taking institution, frankly, I think you might be technically negligent by not considering it. And so, Madam Speaker, whether under the Finance Control and Audit Act 1977 or under the Savings Bank Act 1935, I think the Principal Auditor has an entirely reasonable ability or power to decide how he is going to audit and what he is going to look at.

455 Madam Speaker, you know, audit is not just about numbers. It is about looking at systems and controls. Because, Madam Speaker, if there is a failure in those systems and controls, it will impact on the numbers.

It is logical, and so, Madam Speaker, a deposit-taking institution, the biggest risk, if you had to list them, apart from theft, would be anti-money laundering controls. And, Madam Speaker, the motion suggests that somehow the Principal Auditor is insisting under the provisions of the Proceeds of Crime Act, which is *ultra vires* constitutionally and unfounded without statutory authority.

Madam Speaker, if you read the Principal Auditor's report, what he is saying is, OK, fine, you do not want me to do the POCA audit but, as he told the director of the Savings Bank on page 28, I am going to conduct a compliance audit and he explains there are various types of audits. A financial audit, a compliance audit and a performance audit.

Performance audit being value for money. Compliance audit comprehensively reviews organisations and adheres to regulatory guidelines. And he said he was doing this under the Public Finance and Control Act. He clarified it was separate and independent of a director's obligation to appoint an independent audit to be carried out in accordance with Section 26.1A of the Proceeds of Crime Act. The acting director was thankful and appreciative of the clarification provided.

And so, you know, the Acting Director of the Savings Bank says, OK, fine, go ahead. And the Principal Auditor did not assert he is entitled under POCA to do it. He is just asserting, look, I am doing an audit of the Savings Bank. He feels he needs to do a compliance audit as a part of his audit procedures.

And I would be very interested to hear a legal opinion from a leading QC in London that says that the auditor of a deposit-taking institution should not be looking at AML controls. Because that would be ridiculous.

And so what I find astounding is, on 2.7.57, the Acting Director of the Savings Bank agreed and accepted I was empowered to carry out the compliance audit of the Savings Bank. Then they start talking about when they are going to arrange it. Then suddenly, Madam Speaker, on Sunday 6 April 2025, the Director of the Savings Bank says it is best to cancel and that a meeting had been scheduled next day it should be informed the Chief Minister wished to meet with me together with the Financial Secretary and her the following day on 7 April 2025.

But why, Madam Speaker? Why? Here you have the Principal Auditor undertaking his functions under both acts in the public interest to conduct compliance with AML. He is not saying, I insist on doing POCA. He says, no, look, I am doing a compliance audit with AML. You are perfectly entitled to do that, Madam Speaker.

But the problem is, Madam Speaker, and again this probably speaks to a lack of experience in the Government, we have two auditors who are doing similar work and this happens a lot with internal audit, Madam Speaker. If you have audit with a big multinational and the external auditor says, well, look, as part of my procedures, I am going to look at I do not know, petty cash and the client will say, well, hang on a minute, internal audit has already looked at petty cash. Surely you can rely on the procedures of internal audit and therefore, what you would do, as an external auditor, you would take you will get comfort over the working practises of internal audit. Are they up to the right standards? Do they have the right procedures? And having done that, and you get comfort, then you say, OK, I will rely on the work that internal audit does.

And, Madam Speaker, that is all that had to happen here. If there was genuinely a concern about cost, because nowhere in the Principal Auditor's report does he talk about there was a cost concern. All that had to happen was to say, well, look, Mr. Principal Auditor, here is the phone number of Price Waterhouse Coopers. Give them a call. Have a look at what they have done. And if you are not happy with it, either ask them to do more work or you can do the work yourself.

That is it, Madam Speaker and in the background context, the MoneyVal, what could be better than having two sets of eyes looking at this? I do not understand, Madam Speaker.

Instead of which, the Principal Auditor is summoned, which the Chief Minister has confirmed in Hansard, summoned to a meeting with himself, the Minister for Savings Bank, the Chief Secretary, the Financial Secretary and God knows who else. A sort of star chamber, Madam Speaker. Why? What heinous crime was the Principal Auditor committing? He was doing his statutory work, his statutory duty. The public interest is being defended and he has, I do not know

the accuracy of this because we do not have the minutes of the meeting. Perhaps the Minister, the Chief Minister, will include that when he tables whatever he is going to table. The Principal Auditor says here, the Chief Minister told me he had a duty to inform his view and explain his concerns that such an audit would bring about public loss of confidence in the Savings Bank.

I mean, seriously? Is that true? I mean, it should have the opposite effect. My God, it would be double audited, it would be great. But again, if it is about the cost, all that had to happen was the sharing of work between Price Waterhouse Coopers and the Principal Auditor and that would be the end of it.

Instead of which, we get the star chamber meeting with the Chief Minister, hauling in the Principal Auditor and giving him directions. Giving him directions, which as the Principal Auditor said on 2.7.62, they were unacceptable and that he considered the Chief Minister's actions to be improper.

This is what the Chief Minister calls defamatory but look, it is exactly what happened, was not it? Is not that what happened?

**Chief Minister (Hon. F R Picardo):** No!

**Hon. R M Clinton:** No? Well, give us a minute to the meeting.

Look, the Minister for the Savings Bank can laugh but we do not find it funny.

**Hon. Chief Minister:** It is funny!

**Hon. R M Clinton:** It is funny, thank you very much. I am sure the opposite of the Savings Bank will find it equally funny. (*Interjection*)

Yes, we are not complaining about them putting more money here. At the end of the day, Madam Speaker, this is a very serious matter. This is about £2 billion of money, which they seem to think, you know, cavalierly, they cannot disclose information on.

And Madam Speaker, in the light, in the background of MoneyVal, the private sector has been sweating blood to get off, Madam Speaker, to get off the grey list. This should even happen. My God, the Chief Minister, he should have told whoever thought it was an issue, go away, I have got better things to do.

Leave this to the Principal Auditor. We have had enough trouble with MoneyVal and now, Madam Speaker, MoneyVal will come looking at the public sector. Yes, they will, of course.

**Hon. Chief Minister:** Especially if you invite them.

**Hon. R M Clinton:** Well, yes, but you have.

**Hon. Chief Minister:** Are you inviting them?

**Hon. R M Clinton:** No, you are, Madam Speaker.

**Hon. Chief Minister:** Is that what you are inviting?

**Hon. R M Clinton:** No. No...

**Hon. Chief Minister:** Is that what you are inviting?

**Hon. R M Clinton:** No, because you are talking about public enemies.

**Madam Speaker:** Do not address each other across the floor.

**Hon. Chief Minister:** That is what you are inviting.

**Madam Speaker:** Order!

**Hon. Chief Minister:** That is what you are inviting?

- 555 **Madam Speaker:** Order!
- Hon. Chief Minister:** That is what you are inviting?
- Madam Speaker:** Yes, the Hon. Mr Clinton can carry on.
- Hon. Chief Minister:** MoneyVal can look at the public sector...
- Madam Speaker:** Order!
- 560 **Hon. R M Clinton:** Yes, that is going to happen.
- Hon. Chief Minister:** That is what you are inviting?
- Hon. R M Clinton:** I am not inviting anything...
- Hon. Chief Minister:** You are a bigger fool than I thought you are!
- Hon. R M Clinton:** ...You brought it upon yourself.
- 565 **Madam Speaker:** Just a moment. I am going to ask the Hon. the Chief Minister to retract that comment. It was made from a sedentary position, but we all heard it and it was unparliamentary.
- Hon. Chief Minister:** Madam Speaker, if you direct that I should withdraw that the hon. Gentleman is a bigger fool than I thought he was, I withdraw it. (*Interjections*)
- Madam Speaker:** Thank you. The Hon. Mr Clinton can continue.
- 570 **Hon. R M Clinton:** What can I say, Madam Speaker? (*Interjections in Spanish*)
- Madam Speaker:** Yes, the Hon. Mr Clinton has the floor. (*Interjections in Spanish*)
- Hon. R M Clinton:** And so Madam Speaker, just for record, I am not inviting anyone, they are because of their actions. (*Interjections*) Yes, right but in fact you only have to go back to his
- 575 Hansard who is practically spelling it out... And so Madam Speaker this is all avoidable if there had been an ounce of common sense on that side of the House. And in fact Madam Speaker, this whole star chamber thing resonates. It resonates, Madam Speaker, with another event which I am not going to refer to, but seems to have all the hallmarks of a Chief Minister. Bring the person in and give them a dressing down. That is the Chief Minister's way of doing things.
- 580 And then, Madam Speaker, they get a legal opinion about something that the Principal Auditor has not even asked about. He has not asked to do a POC audit. He said, I am going to do a compliance audit. And yet they get a legal opinion. This is Government by legal opinion.
- Do they not have an ounce of common sense between them, I ask, Madam Speaker because they do not and then, you know, there is a very serious point here about the compliance officer,
- 585 but I will come back to that later on.
- And so, Madam Speaker, the Savings Bank saga, because that is all I can describe it as, is something entirely of the Government's making. All the Government has to do is publish the accounts of the Savings Bank. Then the issues would never have arisen. All the Government had to do was not interfere in the Principal Auditor's work and then nothing of this would have
- 590 happened. But no, Madam Speaker, the Government, for any reason, because they are allergic to transparency, I do not know why, they just refused to publish. They just refused to publish. And then, when, you know, for whatever reason they decide that they do not want the Principal Auditor doing a compliance review, they go nuts. They go nuts. Get a legal opinion, call him in, and tell him they cannot do his work.
- 595 And so, Madam Speaker, if we apply the test in Porter and McGill, a fair-minded, informed observer, I wonder what conclusion they would arrive at because, Madam Speaker, there is no other conclusion a fair-minded, informed observer can arrive at other than the Government's completely mishandled this.

And now, Madam Speaker, there is something about Industrial Cleaners, which is bizarre and I referenced this before. It is bizarre because somehow the Government has taken issue with industrial cleaners, the report on Industrial Cleaners. And the thing with Industrial Cleaners is that there does not seem to be any disagreement by the Government that it was not value for money. And yet, in their Press Release 691-2025, dated 25 September 2025, they say: there are out-of-scope references. Out-of-scope references, Madam Speaker. This is a value-for-money audit and they say there are out-of-scope references. Despite being limited to 839, the report selectively referred to events and costs from a later 2025, while failing to acknowledge the corrective actions taken that same year. The Government said this submission distorted the picture and strayed beyond the auditor's remit.

Madam Speaker, we have already established the value-for-money audits are not time-limited in the same way as the 2018-2019 is a specific point in time. So really, that really is a non-issue.

And then they say they are not given sufficient credit but Madam Speaker, what about paragraph on page 197, paragraph 5.4.30, recent developments, 5.4.31, 5.4.32, three entire paragraphs in which the Principal Auditor gives full credit to the Government for addressing issues.

So what is the problem? I mean, is it that the Government are so desperate to find, concoct this Frankenstein case against the Principal Auditor they are just fishing around for anything they can possibly put together? Because, I mean, the fair-minded, reasonable observer would conclude, as indeed the Government has concluded themselves, that Industrial Cleaners was not value-for-money and they have taken steps to address it. So, the Government agrees that the Principal Auditor was not value-for-money, they have taken steps to address it, and the Principal Auditor has acknowledged that.

So what on earth is the issue? What is the issue, Madam Speaker? There is no issue there at all. I just do not understand it. I mean, they are just pulling at threads to try and make up some kind of narrative.

And so, Madam Speaker, having addressed the, having addressed the matter of the audit report, and having addressed matters in terms of the Savings Bank, and having mentioned something about Industrial Cleaners, let me go on to the other heinous crime alleged against the Principal Auditor and that is a matter which, of course, is close to my heart, and that is of the Public Accounts Committee.

Now, the Government claims that he is, he has strayed into public or the Government policy. But as the Leader of the Opposition has eloquently pointed out, the question of Government policy really only applies to Government departments. And the question of a Public Accounts Committee is for this place. It is not a Government department. And, you know, the Oxford English Dictionary definition of bias talks about a predisposition or prejudice and the thing is this, Madam Speaker, if I think the world is round, and the people down Main Street think the world is round, if the fair-minded and informed observer thinks the world is round, but the GSLP says flat. So, are they all politically biased, Madam Speaker? Or is it just that it does not suit the Government narrative, Madam Speaker? And it is the same thing.

When they say, wow, look, the Principal Auditor is saying the same thing as Mr. Clinton. Madam Speaker, I have been here ten years. I have been saying it since the first day I set foot in this place and it is all about public finance scrutiny. One of the first things I did, Madam Speaker, when I entered this place, was to introduce a motion on Public Accounts Committees - I did it on the 7th of October, 2016. 7th of October, it is one of the first things I did. And yes, Madam Speaker, I do talk about things like the publication of the Savings Bank accounts, and the uselessness of what the Government publish in terms of their Government-owned companies, because it is true, Madam Speaker, this is about best practise in public finance.

And so, the ill that the Principal Auditor is now accused of is, oh my God, you are describing to us the same as Mr. Clinton. Madam Speaker, the reason why there is a similarity in approach is because it is financial best practise, especially in public finance. You know, I do not come here, Madam Speaker, to make this stuff up. This is, this is what is normal outside this place.

650 But, Madam Speaker, no, if there is some kind of coincidental coming together of ideas between the Principal Auditor and the Opposition, he is biased. He is biased. Look at him. He is saying the same thing as Mr. Clinton. Of course he is, Madam Speaker. It is best practise. It is best practise.

655 I joked to the Leader of the Opposition the other day, Madam Speaker, perhaps if I would never entered this House, this debate would never have happened because public finance scrutiny would not be up there. In fact, I am glad we are having this debate. It is about time, Madam Speaker, that we realise that public finance is not just about bookkeeping, as the Chief Minister would have it - these are important matters.

660 Madam Speaker, when we talk about the Public Accounts Committee, you know, it is not something I made up. I mean, Westminster has had one for years. It is set up in the Commonwealth. They have even set up a group within the Commonwealth called the Commonwealth Association of Public Accounts Committees. Madam Speaker, I set this all out in the further debate that we had on the matter, which was had last year. It was held last year, Madam Speaker.

665 And last year, Madam Speaker, I was accused of piggybacking off the Principal Auditor. So which one is it? Am I piggybacking off him, or is he piggybacking off me? But the fact of the matter is, Madam Speaker, and we did have an extensive debate about it, Madam Speaker, and I went through last year as to why we should have it. But look, the Government has their view, and we have another view. But the reality is we are an outlier. We look daft, Madam Speaker. We are the only ones in the OSC's territory who do not have one. Sir Joe Bossano, the Father of the House, knows this. He is attended conferences with me and Madam Speaker, there is a particular conference that is organised by the jointly, by the Commonwealth Parliamentary Association, the Gibraltar Internal Audit Agency, and the National Audit Office, funded by the FCMDO as part of the UK Overseas Territories Project and it is to do with good practise in effective oversight of public  
670 finances in the UK Overseas Territories. A very long title, but it is basically about good practise, as it says. Sir Joe has attended these conferences with me, and we both have a healthy difference of opinion.

675 Madam Speaker, in their guidance notes, and there were two sets of guidance notes, Madam Speaker. There is one that was issued in February 2017, and another one, an updated one, later. And the guidance in February 2017 says on page 54:

An effective PAC is key to the transparency of and accountability for public expenditure. In particular, PAC can oversee the implementation of Government policy and the quality of administration of departments and other public bodies.

685 Madam Speaker, this is a publication which is jointly published with the National Audit Office, and the guidance was updated in November 2021 and it said this, again, in 4.2, on page 55:

An effective PAC is vital.

690 Madam Speaker, not my words, their words:

Vital to the transparency of and accountability for public expenditure.

695 So Madam Speaker, this is best practise. This is best practise as set out by the UK National Audit Office and the UK Government Internal Audit Agency. All the Principal Auditor has done is brought to the attention of Parliament that we should consider doing this. Nothing more, nothing less. There is no great evil in that, Madam Speaker, to enhance our scrutiny practises and for that, Madam Speaker, he is lambasted by the Government as being politically biased.

700 Madam Speaker, the world is round. It is just they do not see it. It is unfortunate and again, Madam Speaker, the Principal Auditor, I mean, they call it:

Entirely *ultra vires*, politically biased policy intrusion well outside the lawful remit jurisdiction of functions of the office.

705 My God, what a crime, Madam Speaker. The Principal Auditor is trying to enhance our public scrutiny and the GSLP Liberals consider it a crime and Madam Speaker, if the Principal Auditor is guilty of a crime by suggesting an improvement, well so is the Ombudsman who's asked for a motion of investigation. Another parliamentary officer. We have two parliamentary officers both suggesting improvements. And in the case of the Principal Auditor, it is a crime. A crime for which  
710 he should be condemned, according to the Government. Well, that is absolute nonsense, Madam Speaker. This has nothing to do with Government policy. This is about best financial practise.

So, Madam Speaker, talking about best financial practise, you know, I was interested to hear what the Deputy Chief Minister said in his analysis of the public accounts of Gibraltar and the various audit reports and he went back through a number of years and he said, well, look, this is  
715 nothing new. We have had problems with contracts, we have had problems with this, we have had problems with that. But Madam Speaker, does not it concern us that year in, year out, we are getting the same comments? Is not it about time we addressed these issues and did something positive about it? There is no point, Madam Speaker, receiving this report and not acting upon it. And this is what we are missing, Madam Speaker. This is what we are missing in not having a Public  
720 Accounts Committee.

Madam Speaker, the Chief Minister, in his closing remarks on the last nine day of his filibuster, said, oh, we have addressed the nine issues, we are addressing a few of them, look how great we are.

But Madam Speaker, I have addressed, I have identified 39 issues or matters that require addressing in the Principal Auditor's report. 39, Madam Speaker. One of them in the part one  
725 introduction, six in the annual accounts, 22 in departmental audits, one in the statutory audits, five in value for money, and four in general audit matters. That is 39.

Madam Speaker, although the Chief Minister has gone to town on what the various sections of what the we have to bear in mind that there are 846 paragraphs in this report, Madam Speaker. I know because I have read every single one of them. 846 paragraphs of which the Chief Minister  
730 just pulled out a couple to concoct his argument.

And so, Madam Speaker, I am going to take the House through these 39 items. I mean, the Chief Minister promised the public he would go through line by line of the audit report. Well, look, I will accept the invitation. I will do it myself.

And so, Madam Speaker, one of the things a Public Accounts Committee does is it takes the report, this sort of report, and then looks at the report and identifies issues, weaknesses, areas for improvement. And then what happens is they would then issue a finding to the Treasury and say, look, Treasury, we found these areas of weakness. We think these are recommendations of the Public Accounts Committee as how to address them. Please give us your response and a  
740 timeline for action. And that way, Madam Speaker, we would not have these repetitive comments coming up in the audit report because we would learn from our mistakes. We would learn. We would say, oh, look, we have an issue in this contract. Treasury has addressed it. It was fixed in the state. No longer an issue and that is all we need to do, Madam Speaker. Is that so awful? Is that so awful that the GSLP liberals oppose a Public Accounts Committee?

And so, Madam Speaker, the father of the House once called me a one-man Public Accounts Committee. And so, Madam Speaker, I will take advantage of this debate. As the one-man Public Accounts Committee nominated by the father of the House, I hereby call everybody in the room to join me in a Public Accounts Committee hearing. And those members who do not want to participate are free to leave, Madam Speaker.

750 So let me start with item number one. Item number one is on page two of paragraph 1.4.2. And this is the point that the Deputy Chief Minister raised. He says, well:

The Principal Auditor does not yet have specific statutory authority to carry out value-for-money audits, although he has been doing so within a supported Government since 1992. You know, value-for-money reviews do not



755 question the merits of policy objectives, however, the means by which policy objectives are pursued, the implementation arrangements, the controls, the costs incurred, [inaudible] and the results achieved are all legitimate subjects for value-for-money studies.

And so I think that should be addressed. That should be addressed in the audit legislation, which the Government has been promising since time immemorial. I cannot remember the exact  
760 date. To resolve that, I do not think there is going to be any disagreements on either side of the House because it makes perfect sense. What he is doing is codifying what he is doing, to use the Chief Minister's words, by convention. So let us codify it. Let us put it into statute. That is point one.

Point two, on page 15, 2.6.9, the Improvement Development Fund.

765 As I commented in my previous report, there are weaknesses in control and management of some capital projects. As I have previously emphasised, there is a need that existing procedures be reassessed in order to ensure as far as practical and possible capital projects are completed on time, given that delays in the commencement and completion of works normally result in higher costs to the Government.

770 So that is a point that needs to be addressed.

Point three is really about the Savings Bank. Again, on 2.7.46, on page 26, about delaying of accounts in Parliament. Our solution is really quite simple, it is really up to this House, and that is maybe we should have, when we consider this, have a standing agenda item in Parliament,  
775 whereby reports from Principal Auditor are just laid, in the same way as reports from Committee and perhaps we should look at changing some of the legislation in terms of statutory audits of authorities, etc., where we have straight-through processing of reports and there is no need for Ministers to present. Here is a Principal Auditor's report, laid on the table, we all get it. That is it. That would not be a problem and therefore, none of the issues about the Savings Bank would have  
780 ever arisen. That is for us to resolve.

Item number four. According to this, on page 31, the Director:

I am conscious that the Director of the Savings Bank has been persistently requesting the Government to appoint a compliance officer. But at present, this has not transpired. This is clearly contrary to Section 9b of the Proceeds of  
785 Crime Act 2015.

Now, I believe the Chief Minister has suggested that the Financial Secretary is that person, but he cannot be because he is the regulatory authority and so there is a question mark over this, Madam Speaker. Again, something that needs to be addressed.

790 Item number five is about the rules in Section 2.7.8 on page 35. This is about the rules for the Special Funds. Now, the COVID-19 Response Fund, which is mentioned in the previous paragraph, as the Chief Minister will know because I was there in the room with himself and the Leader of the Opposition, when we discussed it, one of the things that was agreed was that we would set up rules for the administration of the COVID-19 Fund, the Response Fund, given that the size of  
795 the money that will be flowing through it. But the point that the Principal Auditor is making is that there are one, two, three, four, five, six Special Funds, that have no rules. And the last one was the Education and Development Fund, which the Minister for Education will know about, but there are no rules yet governing how this money is to be administered and in fact, Madam Speaker, if I recall, I did ask a question about this in the House and nothing at that point in time  
800 had emerged. Therefore, this is a pending point.

Item number six is, of course, about the misallocations on page 43. The misallocations and reporting of them. I am particularly curious as to how it is that legal costs were posted to grants and donations. I believe the Leader of the Opposition in the past has asked about what makes up grants and donations. I do not believe I have ever got a straight answer, Madam Speaker.

805 Item number seven, this is on page 47. This is the other matters on the Savings Bank audit report. Why were there six deposits before year end that were not accounted for? Why was it there was other monies that had been receipted and accounted for pending reinvestment of the

funds, but classified as investments? Why did that happen, Madam Speaker? Again, a point that needs addressing.

810 Item number eight, Madam Speaker, on page 67. Income tax. Now we are in the Department of Mental Audits. He says:

815 The Income Tax Office has not reconciled its records of revenue collected with those of the Treasury, which constitute the Government's main books of account, nor has it provided the Treasury Department necessary adjustments to the Treasury accounting system since March 2019.

As a result, this is a bit worrying, Madam Speaker:

820 I am unable to provide reasonable assurance on the accuracy of tax revenue receipts beyond that date.

Madam Speaker, that is quite alarming. I mean, that should be a big priority item for the Treasury to sort out for the Tax Office.

825 Item number nine. Again, in the Tax Office, on 3.1.12. This is about overpayments from corporate entities. He says:

there was a concern that a substantial amount of money were overpayments, highlighting how many cash-rich companies, which had not kept up to this date, had continued making payments to the account, despite carrying large tax losses. This practise [He affirmed] Would have an unavoidable impact on future corporation tax revenue.

830 That is a bit worrying, Madam Speaker and if we had a Public Accounts Committee, Madam Speaker, we would be calling in, yes, the Commissioner of Income Tax to explain how that is been dealt with. There is nothing wrong with that, Madam Speaker.

Item ten, on page 70, 3.1.16.

835 Tax arrears have risen across all areas since financial year end of 31st of March 2019. Tax arrears across all areas, PAYE and all other such areas.

Worrying trend, Madam Speaker.

840 Item number 11, on page 72, in 3.1.28 and 29, where he is talking about deterrent powers, about the authority to publish with details of any individual who has failed to pay tax due under the provisions of the Act. And there is also legal authority under section 50 of the Act to appoint an agent to recover tax arrears.

845 Unfortunately [The Principal Auditor reports] I am informed that the Income Tax Office has been unable to use this mechanism for recovery of arrears due to a lack of resources.

Another item that would require follow-up.

850 Item 12, under section in page 78, under 3.1.62, under section 17 of the Income Tax Payers' Union Regulations 1989:

Employers who fail to submit their P8 form by the due date are liable to penalties. However, the Commission has informed that this specific provision is not currently being enforced.

855 Again, another issue you might, a public accountant might be able to follow up on.

On page 79, item number 13, arrears of social insurance contributions. Arrears have continued to grow. Again, an area for consideration.

On page 81, there are two areas here. One is, which I find a bit bizarre, item number 14 on 3.1.83, in which:

860 The Income Tax Office wrote to individuals earning income from the music trade in Gibraltar advising them to register as self-employed individuals to ensure compliance with tax regulations on the Income Tax Act. However,

following representations, a senior Government official from No. 6 conveyed the Chief Minister personally intervened to suspend the initiative with an immediate effect. As a consequence of the Ministerial intervention, this income tax initiative never came into effect.

865

Madam Speaker, I had a quick glance through the Income Tax Act this morning and I do not see anywhere where the Chief Minister can actually waive tax liability on the Income Tax Act. If he wanted to do that, he should have come to this House as a budget measure, Madam Speaker.

870

A Public Accounts Committee would have something to say about that.

Again, Madam Speaker, item number 15. Rates arrears are seen again on 3.2.2:

Rates arrears are seen on marked escalation.

875

Marked escalation, Madam Speaker. In fact, you can see the graph on page 82. Rates were growing at an alarming rate.

On page 83, item number 16.

880

I reiterate my concern. The overall high arrears position will not improve unless effective recovery action is taken principally on arrears for which the court is granted an order to pay. The current course of action is ineffective as the execution of such orders against debtors is not proceeded with mainly because no approval is granted by the Accountant General for execution of distress warrants.

885

Now, it may be that point has since been addressed because I vaguely recall the Minister for Taxation talking about having executed such distress warrants recently, but it was a valid point and again, further down, 3.2.6, same point.

The Accountant General is on the understanding that the courts have been short of bailiffs for an extended period of time which will have impacted the enforcement of distress warrants.

890

Again, something a PAC might want to look into.

Item number 17, Madam Speaker. Page 94, 3.3.12. The Arrears Recovery Act. And this is something I have asked about in this House before, Madam Speaker, some time ago and the response was the enactment is now a much awaited piece of legislation with which to better address the growing levels of arrears:

895

I was informed by the head of the Central Arrears Unit, CAU, that the draft arrears recovery legislation had been submitted to the Financial Secretary.

900

Again, something a Public Accounts Committee might want to follow up and in fact, on page 95, talking about resources, the Head of the Central Arrears Unit commented that:

The continued escalation of arrears of revenue was a reflection of the current economic climate affecting Gibraltar, added to the effects of staff shortages across Government departments, including the Central Arrears Unit itself. But [he said] Notwithstanding, the Head of the Central Arrears Unit confirmed the unit will continue to work diligently, using all available resources, and look forward to the enactment of the Arrears Recovery Bill, which would greatly assist and support the work of the CAU.

905

Item number 18, Madam Speaker and this is to do with internal reports from the Treasury, about Housing rent arrears. 3.4.35.

910

As I repeatedly highlighted in my previous reports, the information by the Treasury statistics cross-table is a very valuable management tool to monitor House rent collections, with the report generating extremely useful statistics which can be used to effectively manage and monitor House arrears. Nevertheless, the Housing Department have confirmed to me that they do not make use of this report.

915

Things may have changed since the publication of this report.

Item number 19. Management of arrears. 3.4.36:

920 The steady increase in House rent arrears over the last five years is a cause for concern. This highlights the importance of continuing the application of arrears recovery strategy and proactively tackling defaulting tenants at the earliest opportunity to prevent the escalation of existing arrears and formation of new arrears.

And I note what the Chief Minister said about direct debit mandates, but that may was obviously not enough, according to this.

925 And then item number 20 which is the audit inspection of Housing. It looks like there was an extensive inspection carried out in 2024 and there is a whole detailed discussion about it from 1.05 onwards. But from the sampling that was done and again, Madam Speaker, I emphasise the point that there is an audit team in the Gibraltar Audit Office. It is not that the Principal Auditor went out necessarily and did this himself. They do a test, a sample of 25 housing allocations and they have identified certain anomalies and in it was noted the Chief Minister intervened in seven.  
930 Now we have had this discussion already, Madam Speaker, so I do not propose to go there again but it is evident, and I think the Chief Minister has taken on board, is that there needs to be some kind of formality behind the process.

Item 21 housing rents reconciliation on page 109 3.4.56:

935 House rents reconciliation reports extracted from the housing database reveal the housing department does not perform reconciliation of these reports of the Treasury's accounting system.

940 And there was a need for a formal reconciliation system but, you know, in fairness, it does say that:

The contractor's software engineers currently working are enhancing the formal reconciliation process regarding payments and deductions. These enhancements are being modified and fully implementing the changes by the start of March 2025.

945 So it may be that that has been addressed, but it would be something that would be followed up.

Item 22 which really goes from page 110 to 111 there seems to be some sort of confusion all the way to 112 confusion over housing rent arrears in respect of those properties that are subject to mortgage, because of course the ones that are subject to mortgage technically do not belong to the Government, because those rent receipts go to Gibraltar Capital Assets Limited under the terms of the mortgage. So there seems to be some confusion in terms of treatment within Government systems in terms of what is there, i.e. the Government's arrears position, and what arrears property belong to are subject to Gibraltar Capital Assets Limited, although by reading this  
955 there seems to be some kind of arrangement where the Government gives a loan to cover the arrears, but again I am not privy to the full provisions of that agreement. Again, something the Public Accounts Committee might want to look into.

Item number 23 on 3.4.71 on page 113.

960 Audit examiners brought to attention Housing Department's enforcement and compliance sections, several matters of concern they observed during the course of their appearance to be compromising the reliability of the management information held in the housing database. Due to the reports produced for the housing database being considered unreliable when they could be using the electronic data held in the database to procure working efficiencies instead.

965 So Madam Speaker, again, something to look at.

Item 24 and again item 24 on page 115 on paragraph 3.5.1 about Other Grants and Donations Madam Speaker. Here again this is the point that I raised before about one of the reasons for qualification and misclassification. We have here £434,000 booked to Other Grants and Donations  
970 which are respect of legal fees. Respect of legal fees Madam Speaker. So again the Public Accounts Committee might ask what on earth is that doing there?

Item 25 Madam Speaker. Item 25 on 3.6.24 this is a departmental audit question about an *ex-gratia* payment to a former police constable who had been dismissed for misconduct. And the question here, well the comment is:

975

Although I am requested to learn the nature of this payment and for the corresponding documentation to be provided for me I received no response.

Again we just ask well what is the response?

980

And 26 again departmental audit and this is something which the Leader of the Opposition has spoken to and proposed to labour the point in which on 3.6.35 it is about the concern about the number of police officers that were transferred on page 128.

Item 27 on page 131 paragraph 3.6.55 this is about this is about early exit scheme lump sum payments in relation to Government owned companies and the Principal Auditor makes the point that:

985

The early exit schemes includes expenditure relating to employees of Government owned companies who are not civil servants and which in my view should not be included as consolidated fund expenditure.

990

A technicality perhaps but it is a fair point. Something a Public Accounts Committee might want to ask about.

Item 28 about overtime. Now the Government says it is addressed this. But it is conclusion about overtime and again this is about departmental audits is that on 3.7.10:

995

There has been no effective decrease in overall public spending in this section of the departmental environment when all the factors are taken into account despite the Government's public statement stating that promptly puts an end to the malpractice in this area.

Again something we would follow up.

1000

Item number 29 is about the tendering on page 3.7.12. Again we have had extensive discussion over this. Again this is something Public Accounts Committee would look at.

Item number 30 Madam Speaker on statutory and other audits on page 156 of 4.4.4:

1005

At the close of this report the sum of £1,986,070 remains outstanding in the advanced account which needs to be addressed by the Captain of the Port as Controlling Officer of the Advanced Account. A decision requires to be made on whether the outstanding amount in the advanced account is to be recharged to the Gibraltar Port Authority or the Balance or the Consolidated Fund. Alternatively consideration might be given to write off the outstanding balance as an abandoned claim as notice of discontinuance was issued by the Supreme Court on 23 December 2021 and no further claims will be made on this.

1010

Madam Speaker we have almost £2,000,000 that would appear sitting in suspense that needs to be addressed. That is on page 156.

Item 31. This is a value for money audit about vacancies on page 189, 5.3.52:

1015

In my opinion the introduction of better controls for changing conditions could provide instant considerable savings for the taxpayer particularly in those areas where the need to have heightened manning levels is not justified. Additionally a concerted effort by Government not to prolong the filling of vacancies in departments which are considered understaffed across the public service would help contain overtime spending.

1020

Again, something will be followed up.

Item 32 and this is Gibraltar Industrial Cleaners again:

1025

It is a matter of concern to me the exorbitant costs historically incurred in the collection disposal refuse by Gibraltar Industrial Cleaners have been allowed to continue unchecked by Government for many years with no action taken to curb this enormous expenditure by taxpayers.

Well look the Principal Auditor himself has said well look, here it is. The Government has addressed it but at the end of the day it evidently was not value for money. Something that the Public Accounts Committee might want to look into.

1030 Item 33. This is about *ex-gratia* payments. These are in the value for money audits, Madam Speaker. Where again, you know, the Leader of the Opposition has spoken at length on this. I do not propose to go there but the Principal Auditor has said that in his view some of the settlements were excessive and in many cases unwarranted. Something needs to be looked at. And in fact the Chief Minister himself I think has accepted that something needs to be tightened up in this area.

1035 In fact on the 13th of October he said that there was a potential need for a structured framework in relation to excretion payments. Again, you know, there is a point that needs to be looked at.

And 34 is a bit concerning because 34 talks about ignoring requests for information. This is in section 5.5.29 on page 209. The Principal Auditor is particularly aggrieved that he is not getting responses.

1040 And he says:

I have to stress the important need for auditees to comply with the law as otherwise it is extremely difficult for me as Principal Auditor to fulfil my role and effectively discharge my duties.

1045 I mean, Madam Speaker, this is something that is not new apart from what is in the Constitution and other things. I mean, there is, going back to Financial Instructions of 1952, one of the general duties of an accounting officer was to reply promptly and fully promptly and fully, Madam Speaker, to all queries addressed to him by the Chief Accountant, Collector of Revenue or the Principal Auditor, or the Head of Department, and to the best of his ability, furnish these

1050 officers or their deputies such further information and explanations as may be required. I mean, this is nothing new, Madam Speaker but what should not be happening, Madam Speaker, there should be no need for chaser emails. There should be a need for the Principal Auditor to say, I sent you a message, where is the answer? The answer should have been forthcoming without any delay. And so, Madam Speaker, that is something that a Public Accounts Committee might look

1055 at.

Item 35, the four contracts we have been talking about *ad nauseam* and, Madam Speaker, the issue really is not about a witch hunt or some political conspiracy against these particular contracts. What the Principal Auditor said is that it needed publication of voluntary ex-ante transparency notice. It would have ensured the contract towards the negotiations were kept

1060 transparent and in full compliance with relevant regulations and policies. So, again, something a Public Accounts Committee would look at.

Item 36 and now we are going to the General Audits matters. We had the different parts of the report, Madam Speaker. We had the general introduction. This is now the general conclusion. You had a discussion about the results for the year. You had a discussion about departmental audits.

1065 You had a discussion about value for money audits. You had a discussion about the statutory audits. And this is just the concluding section of this report and item 36 is really about the modernisation of the audit law and this is the same sort of complaint that the Public Services Ombudsman has made. In that the law needs to be updated. And so, Madam Speaker, I do not see there is any great crime being committed here by the Principal Auditor repeating not

1070 something that he is dreamt up or something that he thought was a good idea but something that previous auditors have thought was necessary and that is in paragraph 6.1.10. And that needs to be addressed.

And then item 37, Government-owned Companies. I am of the view that the principal order should be statutory and responsible for the audit of all Government-owned companies, Madam

1075 Speaker. In the same way as the Public Services Ombudsman wants to have own motion investigations. It is a request. It is up to us in this House whether you want to do that or not. I think it is a good idea. The Chief Minister may differ. Fine. There is no harm in the Principal Auditor suggesting that he would like that.

1080 And then 38, Madam Speaker. The elephant in the room, which the Chief Minister never addressed. On paragraph 6.2.5. The JBS review. The JBS review that he did not involve the Principal Auditor in. So you have an area of concern. So do you pick up the phone and call the Principal Auditor? No, you do not. You pick your own people to do an internal review and nobody need be the wiser, except for the Government.

1085 And then finally, Madam Speaker, item 39. Item 39. You know, this is the bit that has caused so much angst for the Government and this is something that the Leader of the Opposition mentioned. Well, actually, he mentioned this last year as well. Why are you so upset this year? And he says, you know, on 6.3.4:

1090 I am aware and respect there is not full support in Parliament for setting up a public council. Nevertheless, I must again insist and call upon Government to consider setting up this Standing Committee of the House to further strengthen accountability, transparency, and responsible financial management.

1095 Are we saying, Madam Speaker, we are against transparency, accountability and responsible financial management? Is that not a reasonable request for an Officer of Parliament to make? What is the crime that the Principal Auditor has committed?

1100 As I have said, Madam Speaker, the UK National Audit Office, the Government Internal Audit Office in England, have said this is best financial practise. This is best financial practise, not just among UK Overseas Territories and Westminster. It is the best financial practise in the Commonwealth, Madam Speaker and yet, Madam Speaker, the GSLP Liberals will maintain that the world is flat. Because that is their article of faith. The world is flat.

1105 And so, Madam Speaker, there you have it, 39 areas of weakness concern in this report. And all that Government across the way can do is complain about how dare he, how dare he make recommendations. How dare he want more transparency and accountability in this place. That is what is the message that this Government is delivering.

1110 And so, Madam Speaker, after everything I have said, I would invite this fair-minded and informed observer under Porter and McGill and ask them, do you not think the Principal Auditor was doing his job properly? Do you not think the Principal Auditor was doing his job diligently and competently? Do you not think the Principal Auditor was acting in the public interest? Do you think the Principal Auditor deserves this treatment from this Government?

1115 That is the test that the fair-minded and informed observer must make, Madam Speaker, as indeed the general public. Now, I made it clear, Madam Speaker, that the characterisation of the audit report as clean is erroneous. And I invite the Chief Minister in his reply to take the opportunity to correct the public record.

1120 And now, Madam Speaker, I am wrapping up. I am concluding. There was a famous matter, Madam Speaker, going back in the 18th century and this is the case of Admiral Byng, which the Deputy Chief Minister will be aware of, in 1757, Madam Speaker. Admiral Byng was court-martialled and shot on his own quarterdeck for failing to do his utmost, Madam Speaker, in protecting Morocco from capture by French. And as Voltaire said, rather wittily:

1125 Occasionally the British do this. They shoot an Admiral to encourage the others.

1130 But Madam Speaker, what we are witnessing is a very public execution and ironically, what the public have been treated to is the public execution of an officer of this Parliament undertaking his duty under the Constitution. And Madam Speaker, this is the irony, he has been executed not for not doing his utmost, but for doing too much, Madam Speaker, it would appear. He is doing more than the Government wanted him to do. And why is that, Madam Speaker? Because he is barking. But, Madam Speaker, that is what watchdogs do. They bark. They bark. And this watchdog, Madam Speaker, has been barking, and they do not like it. They do not like it. Now, normally a watchdog would be taken out and shot if it did not bark, because it would be useless. It would be the case of the watchdog of a dog that did not bark in the night, Madam Speaker, because they

would not be doing their job. And they would be right to take them out and shoot the dog because he did no good. He would not be a watchdog.

1135 But what we are witnessing, Madam Speaker, is unlike Admiral Byng, who was shot to encourage the others, we are witnessing the shooting of a public official for undertaking his public duty in the public interest because he said too much, Madam Speaker and therefore, as an example to the rest, Madam Speaker, not to encourage them, but to discourage them.

1140 An example to the rest. We will shoot this watchdog so that the others will know who is in power, who is in control and who they need to be afraid of, Madam Speaker. And with that, Madam Speaker, I have nothing further to say.

### Adjournment

1145 **Chief Minister (Hon. F R Picardo):** Madam Speaker, I move that the House should now adjourn to Monday 1st December at 10 a.m.

1150 **Madam Speaker:** I now propose the question, which is that this House should now adjourn to Monday 1st December at 10 a.m. I now put the question, which is that this House should now adjourn to Monday 1st December at 10 a.m. Those in favour? (**Members:** Aye.) Those against? Passed.

This House will now adjourn to Monday 1st December at 10 a.m.

*The House adjourned at 6.00 p.m.*