SUMMARY OF THE CHIEF MINISTER'S STATEMENT ON THE PRINCIPAL AUDITOR'S REPORT



DAY 1:

23RD SEPTEMBER 2025

This morning, the Chief Minister Fabian Picardo began his address to the Gibraltar Parliament, starting the debate on the Motion on the former Principal Auditor's 2018/19 Report. This debate is likely to continue for a number of days.

The Government will not reject the Principal Auditor's Report in its entirety but will move amendments to reject only those aspects which, supported by legal advice, are shown to fall short of the independence, objectivity and competence required.

This statement in the House is not only proper but necessary, as it is the Government's duty is to correct the record, defend Gibraltar from reputational harm, and ensure that the community can judge the Report in the light of the facts, the law and proper audit practice.

OPPOSITION POLITICAL OPPORTUNISM HARMS GIBRALTAR

The Government considers that the Opposition's persistent reliance on the 'value for money audits' that are legally, factually and procedurally flawed sets a dangerous precedent that such material is fair game in future debates. It harms Gibraltar's international reputation at a critical time and undermines confidence in good governance.

LEGAL BACKGROUND

The Office of the Principal Auditor is a constitutional post created under the Gibraltar Constitution Order 2006, appointed independently by the Governor and charged with auditing the public accounts of Gibraltar.

While the role is independent of Government, it must be carried out within strict constitutional and statutory limits and in line with recognised standards of impartiality, objectivity and professional conduct.

The Public Finance (Control and Audit) Act sets out the scope of the Auditor's work, requiring proper scrutiny of how revenues are collected and funds are spent, but making clear that their remit is financial control and efficiency, not to make political or legal judgments.

Drawing on case law from Jamaica, Trinidad and Tobago, and the UK, including the landmark Porter v Magill decision, the Chief Minister underlined that auditors are not immune from scrutiny and can be challenged where they overstep their functions or create an appearance of bias.

PROFESSIONAL PRINCIPLES GOVERNING THE ROLE OF THE PRINCIPAL AUDITOR

The Chief Minister drew comparisons with the UK National Audit Office (NAO), which conducts both financial audits and value-for-money examinations but operates within clear statutory limits. Crucially, section 6(2) of the UK National Audit Act 1983 explicitly states the NAO is not entitled to "**question the merits of the policy objectives of any department, authority or body in respect of which an examination is carried out.**".

The NAO's Code of Audit Practice sets out key professional standards, which should also guide the Principal Auditor in Gibraltar. These include:

- Independence, integrity and objectivity, ensuring the Auditor is (and is seen to be) impartial.
- Professionalism and efficiency in carrying out statutory functions.
- Proportionality and risk-based auditing, with careful consideration of the impact of recommendations.
- Professional scepticism, requiring sufficient evidence to support conclusions.
- Respect for boundaries, meaning auditors may scrutinise how policy is implemented and whether value-for-money arrangements are in place, but must not question the policy itself.

The Chief Minister noted that International Auditing Standards govern the conduct of public auditors and are fully applicable to Gibraltar. These standards underscore that the Principal Auditor's role was to be carried out with independence, objectivity and professionalism, and that findings must be based on evidence and proper process, not on political or partisan commentary.

KEY FINDINGS OF THE FORMER PRINCIPALS AUDIT REPORT

To test the former Principal Auditor's allegations, the Government commissioned an independent legal opinion from Jonathan Fisher KC, one of the UK's leading experts in audit law. Mr Fisher concluded unequivocally that the Report was fatally flawed. In his view, the approach taken was "inconsistent with the fundamental norms of international auditing practice," strayed into matters of policy rather than implementation, contained "material errors that reflect a lack of competence," and failed to adhere to the principles of independence, objectivity, and professional audit standards expected of a constitutional auditor.

On the advice of Mr Fisher KC, the Chief Minister maintained that the criticisms in the Report exceeded the Principal Auditor's remit, were unsupported in fact or law, and should be regarded as unreliable.

THE GOVERNMENT'S RESPONSE

In the coming days, the Chief Minister will address each of the allegations directed at Ministers and senior officials point by point, analysing each of the disputed areas, and setting out the facts to show why the Report was wrong in substance and inconsistent with the legal principles governing an auditor's role. The Chief Minister will resume his detailed analysis tomorrow, Wednesday, at 10:00am and a new updated document will be made publicly available.