

From:
To:
Bcc:
Subject: Re: FAO Chief Minister, Fabian Picardo - OPPORTUNITY TO COMMENT
Date: 01 August 2025 10:34:57

Dear Mr Goodrich,

Thank you for the opportunity to respond to your letter of 29 July 2025 concerning the former Principal Auditor's report on Gibraltar's public finances.

We welcome scrutiny and will always engage constructively where issues of governance are raised.

However, we take serious issue with the accuracy, impartiality and methodology of the former Principal Auditor's report and the way it is being used to draw conclusions about Gibraltar's institutions.

We respond below to each of the points raised.

For further information on the Government's response to these issues, you can find an extensive list of press releases on our webpage www.gibraltar.gov.gi.

Furthermore, in the weeks leading up to the next Parliamentary session (where I will be delivering an in-depth breakdown of the aforementioned inaccuracies and improprieties), the Government will be producing a fact-led, evidence based response to the 6 most salient areas of Governance criticised in this report.

1. Ex-Gratia Payments

The figure of £13 million cited by the former Principal Auditor spans over seven years and includes a broad category of settlements and payments.

Each of these was made on legal advice, reviewed by relevant officials, and in many cases involved the avoidance of costly and protracted litigation which would have made the cost to the taxpayer HIGHER.

It is entirely false to claim these payments were made without explanation.

The opposite is true.

The former Principal Auditor received information in confidence in many of these cases (as a result of confidentiality clauses in settlement agreements) but has, inexplicably, chosen to present the perfectly normal settlement arrangements as

"opaque".

His characterisation of these as 'unwarranted' is a value judgment made without the context of risk assessments, HR processes, or legal advice and is therefore a flawed characterisation which is unreliable.

2. Transfers of Police Officers

The suggestion that 31 transfers of former RGP officers were carried out to shield individuals or obstruct a Commission of Inquiry is both baseless and inflammatory.

These officers were redeployed across various departments following standard public service procedures.

The reasons for each transfer were held across multiple records, some of which were shared with the former Auditor.

Indeed, some were even at the request of the former Commissioner of the Royal Gibraltar Police and ALL were with his information and consent and he waived all relevant notice periods in respect of both transfers and, in some cases, early retirements.

The statement that No.6 Convent Place withheld information is incorrect and UNTRUE. In fact, No6 Convent Place also sought the guidance of the same said former Principal Auditor on how to structure payments (which is not referred to in the report by the former Principal Auditor).

What we did not do was compile a bespoke narrative to satisfy the former Principal Auditor's apparent political interpretation of staffing movements.

The implication that these appointments were improper is rejected.

Counsel for Ian McGrail, one of whom is closely associated to Transparency International and has recently made a public statement about this aspect of this matter, have written to the Chairman of the McGrail Inquiry, asking that the Inquiry should reconvene to consider this matter. Counsel for the Government parties have replied making clear that there is no basis to do so.

Please note:

In respect of both points 1 and 2 above, the allegations made against Mr McGrail

relate to serious breaches of human rights of individual citizens and current and former officers of the Royal Gibraltar Police. These should not be swept under the carpet simply because they have been determined not to be relevant to the reason for Mr McGrail's early retirement. These are serious matters that have led individuals to be exposed to or receive criminal penalties and to long serving police officers being left with no alternative but to leave their careers. It is hugely relevant in the interests of transparency and accountability, that these matters should be fully ventilated and investigated. It is important that the public should be made aware of this.

3. Gibraltar Savings Bank (GSB) and Anti-Money Laundering Audit

The former Principal Auditor sought to carry out a compliance audit that fell outside his statutory remit.

He had himself previously written to the Financial Secretary acknowledging that he had no power to conduct such an audit unless specifically invited to do so.

The Government acted in accordance with legal advice and followed established precedent.

The Gibraltar Savings Bank has undergone, repeated and regular independent AML and compliance audits by PwC, a firm with the professional expertise required and which provides this advice to other Banks and financial services institutions in Gibraltar, the United Kingdom and elsewhere.

It is therefore **false** to suggest that this matter raises governance concerns.

What it highlights instead is the former Auditor's fluctuating misunderstanding of his own constitutional limitations.

The Government is unable to disclose its legal opinion on this matter given then convention that government legal advice is not shared outside the Government and the Principal Auditor is an external Auditor.

For the same reason, the minutes of the meeting cannot be shared as Government minutes are not shared externally.

The former Principal Auditor will have his own minutes of the meeting.

4. Allegations of Political Bias

We do not allege political bias lightly.

The former Principal Auditor, Tony Sacramento, chose to express views in his report which align almost word for word with the stated positions of the Opposition. These include his unsolicited commentary on the establishment of a Public Accounts Committee, his selective emphasis on individuals allegedly linked to one political party while omitting others, and his decision to issue last-minute criticisms on public service attendance minutes before retirement without any attempt to verify them with departments.

These are not neutral actions. They fail the audit test of independence and impartiality. They would not find approval in any approach taken by the National Audit Office in the United Kingdom.

The former Principal Auditor has failed, in presenting his report, to disclose close family links with the Opposition party and his own, personal, disputes with the party in Government. This is a failure of transparency and potential or actual conflicts of interest which cast doubt on the tabloid style aspersions he has improperly and unfairly sought to cast against the Government.

The report reads as an indictment, not an audit. Its tone is frequently sensationalist, it draws conclusions beyond the statutory Auditor's remit (which are, therefore, demonstrably ultra vires), and it excludes reference to information that was provided to the former Principal Auditor but which might run counter to the nature of the anti-Government narrative that that former Principal Auditor was clearly keen to emphasise.

This pattern has led us to unfortunately conclude that aspects of the report in question were framed with a clear, anti-Government, party-political purpose. In the interests of transparency, this information must be put before the public in Gibraltar so that they can assess the value they put on certain aspects of the report.

5. Public Accounts Committee (PAC)

This is a purely party political point which is outside the statutory authority of the office of the Principal Auditor to comment on.

Successive GSLP/Liberal Governments have taken the view, made transparent in manifestos and debated publicly, that a Public Accounts Committee is not suited to

Gibraltar's small democracy. The electorate in Gibraltar have SPECIFICALLY AND DEMOCRATICALLY chosen this option over the option of the GSD Opposition, which the former Principal Auditor has adopted in his report in question, on four successive occasions since 2011.

In the Gibraltar Parliament, Ministers are held accountable directly, and departments are scrutinised through budget debates and public questions. Civil servants should not be exposed to political theatre and bullying under the guise of transparency.

This is a legitimate, proportionate and bespoke position taken to the electorate and endorsed at the ballot box on four successive occasions.

The fact that the Auditor has taken such a position on this highly party political and contentious matter is yet another flagrant example of party-political overreach in the fulfilment of his duties.

6. Modernisation of the Public Finance (Control and Audit) Act

The Government is committed to legislative modernisation, including the Public Finance Act.

Work has already taken place, and initial drafts have been discussed, but progress has been delayed due to external pressures including Brexit negotiations, the COVID-19 pandemic, and the legislative burden of EU Treaty planning.

These are not excuses (and neither is it up to many Principal Auditor to describe them as such) but real constraints on parliamentary time and legal drafting capacity in a small jurisdiction.

We do not reject the need for reform. It is part of our agenda.

7. Gibraltar Audit Office Staffing

Claims that the Government has deliberately reduced audit capacity or driven staff out through financial incentives are demonstrably false.

Audit Office staff are civil servants. Like other departments, their career development includes opportunities for promotion and mobility.

Some officers moved to other roles. Salaries were not reduced. No audit capacity

was removed as a matter of policy.

In fact, the complement of the Audit Office is now HIGHER than under the former administration.

8. Broader Governance and the McGrail Inquiry

The Government respects the McGrail Inquiry and is cooperating fully.

We have not commented publicly out of respect for its independence and are confident that it will soon report its findings.

We note that the former Auditor appears to have drawn his own conclusions in advance, without due process.

Regrettably, the tone and framing of your email suggest a degree of alignment between the position taken by Mr McGrail's Counsel, the assertions made by the former Principal Auditor, and the political narrative being advanced by the Opposition to undermine the Government.

The report by the former Principal Auditor does not, in our view, constitute a balanced or reliable assessment of governance in Gibraltar.

It reflects an approach that confuses audit with political commentary.

We have acted when issues have been raised appropriately; from overtime reform and procurement oversight to departmental restructuring.

We will continue to do so with transparency and accountability.

In the interests of genuine transparency, when reporting these matters, please provide full access to these answers to your questions so that anyone reading can see the unwarranted, unfair and unsubstantiated allegations put to us set against these full and reasoned answers. To do otherwise would be to fail to live up to the institution you represent.

Sincerely,

The Press Office
For

From:

Sent: 30 July 2025 18:06

To:

Cc:

Subject: FAO Chief Minister, Fabian Picardo - OPPORTUNITY TO COMMENT

Dear Mr Picardo,

My name is Steve Goodrich, and I am writing a short opinion piece for Transparency International UK on the [recent report by Gibraltar's Principal Auditor](#), and other related governance issues in the Territory.

These are serious issues of utmost public interest, and I am keen to take account of your position for my forthcoming publication.

The Principal Auditor reported that:

1. The Government of Gibraltar made a series of ex-gratia payments worth over £13 million between April 2018 and May 2025 without adequate explanation. The report describes these as '*excessive and in many cases unwarranted*', and included payments to police officers retiring since April 2020 ([pp.198-209](#)).
2. The Government of Gibraltar gave 38 police officers new jobs elsewhere in the public sector during the past six years, all on protected pay and conditions, and all bar seven without adequate explanation ([pp.126-128](#)). This is a significant number. When the Principal Auditor pressed officials for the reasons behind these moves, they could not answer in relation to 31 officers, stating this was because this information was held by your office, which was withholding it ([pp.127-128](#)). Mr Sacramento concludes a significant number of these personnel transfers were likely linked to the ongoing [Commission of Inquiry](#) into the retirement of [former Police Commissioner, Ian McGrail](#) ([p.128](#)).
3. You obstructed the Principal Auditor from carrying out a review of the Gibraltar Savings Bank's anti-money laundering processes because '*such an audit could bring about public loss of confidence in the Gibraltar Savings Bank*' ([pp.27-32](#)). You and your office also refused to:
 - a. provide a record of the minutes of a meeting to discuss this issue on 7 April 2025
 - b. permit the Principal Auditor to undertake an Anti-Money Laundering

Compliance Audit of the Gibraltar Savings Bank in accordance with the Public Finance (Control and Audit) Act

- c. provide a legal opinion that supports the Government's position not to permit the Principal Auditor to undertake an Anti-Money Laundering Compliance Audit of the Gibraltar Savings Bank

This does not appear to be an appropriate response to a request by a Principal Auditor to audit a government institution, and the Principal Auditor claims you have misrepresented the legal basis on which you have rejected his request.

Could you outline which of the above findings you dispute, and on what basis. Could you explain why the Government of Gibraltar provided new jobs to 31 police officers without clear rationale, and why your office obstructed his requests for information.

The Principal Auditor sets out a series of concerns in his audit report, which raise serious questions about the quality of governance in Gibraltar, including possible corruption. You accuse the former Principal Auditor of political bias in his audit report. Could you provide us with the evidence you rely on to make these allegations? Are you trying to discredit Mr Sacramento and undermine confidence in his findings because they are deeply uncomfortable for you?

The Principal Auditor also reports that your government has not implemented a series of reforms to improve audit governance in Gibraltar – including establishing a Public Accounts Committee and modernising audit legislation – while reducing the personnel and relative pay of audit staff.

Could you explain why Gibraltar does not have a Public Accounts Committee despite smaller Overseas Territories, such as the Falkland Islands (pop.~3,200) and Montserrat (pop.~4,500), having one?

Could you explain why the Government of Gibraltar has not been able to modernise the Public Finance (Control and Audit) Act despite a commitment to do so?

Why has the Government of Gibraltar reduced the capacity of its public audit function through salary reductions and financial incentives for Gibraltar Audit Office staff to move elsewhere in the civil service ([pp.251-252](#))?

Do you recognise that the Principal Auditor's report and the McGrail Inquiry raise serious questions about the Territory's governance?

We welcome your response to the above and are keen to include your comments in our publication. We would be grateful if you could provide your response by **Friday 1 August**. Given these are issues with which you will be intimately familiar with, we consider this timescale reasonable. If you do not respond by the above date, we will assume you do not

wish to comment.

Yours sincerely

Steve Goodrich

Head of Research and Investigations

Transparency International UK

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