

Witness Name: Department of Finance

Statement No.: 2

Exhibits:

Dated: January 2025

## **UK COVID-19 INQUIRY**

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### **WITNESS STATEMENT OF THE DEPARTMENT OF FINANCE**

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I, Sharon Smyth, will say as follows:

1. As a senior Civil Servant, I am a Deputy Secretary in the Department of Finance (DoF) with responsibility for Construction and Procurement Delivery (CPD) providing expert advice and professional procurement and project delivery services to the Northern Ireland Civil Service (NICS) Departments and Arm's Length Bodies. CPD works with a wide range of clients across the NI public sector, helping clients achieve best value for money in government contracts, and achieve wider aims on sustainability, the environment, social value and human rights. My role before, during and after the pandemic was within CPD, however I was promoted to my current post in July 2021. Throughout this time, I have been a member of the senior civil service for the Department.
2. I provided an initial statement to the Inquiry and this second statement is being provided on behalf of DoF with specific reference to the Department's role in the contract between China Resource Pharmaceutical Commercial Group ('China Resource') and the Department of Health (DoH).
3. During the period 1 January 2020 to 28 June 2022, the Finance Minister was Conor Murphy MLA, supported by the Special Advisor Eoin Rooney. The Permanent Secretary during this time, up to May 2021, was Sue Gray, who was succeeded by Colum Boyle in a temporary capacity until Neil Gibson was substantively appointed to the post in April 2022.

4. As of 31<sup>st</sup> March 2021, the senior management team were Bill Pauley, Director of Strategic Policy and Reform who led on the provision of strategic economic, financial and fiscal policy advice; Stewart Barnes, who led on Departmental specific finance and corporate services; Mark McLaughlin, who led on Departmental communications and engagement; Joanne McBurney, Director of the Public Spending Directorate provided financial advice on the management of public expenditure; Des Armstrong, Chief Executive of Construction and Procurement Delivery provided advice on matters related to construction and procurement which impacted across the service; Jill Minne, Director of NICSHR led on all human relations related matters across the civil service; Ian Snowden, Chief Executive of Land & Property Services led the work relating to rates and rate related grant schemes during that period; Paul Duffy, Director, led on Enterprise Shared Services during this period; Siobhan Carey, led the Executive Agency, the NI Statistics and Research Agency; and Hugh Widdis, headed the Departmental Solicitor's Office (DSO) which has solicitors allocated to each department to provide the necessary legal advice.

#### **China Resources Pharmaceutical Commercial Group ('China Resource')**

5. In my previous statement, I provide detail on the information provided by DoH regarding the areas of need in relation to Personal Protective Equipment (PPE). In order to meet the needs of DoH, China Resource were identified as a company who could provide PPE to Northern Ireland.
6. The original Co-Operation Agreement was signed between China Resource and DoH on 30 April 2020, with the original invoice being submitted on 30 April 2020 **[SS/77 – INQ000560900, SS/78 – INQ000560901, SS/79 – INQ000560902]**. The contract was not signed retrospectively however, there were some variations to the quantities and the factories supplying the goods and so a supplementary contract was signed on 9 June 2024. These documents were all signed by the DoH Minister, Robin Swann.
7. As outlined in my previous statement, this PPE order included over 63 million Type IIR masks; 39 million examination gloves (standard length) and 32.5 million

examination gloves (long). The supplementary contract, signed on 9 June 2024, increased the number of surgical gloves but this did not make a material difference in the contract.

8. I understand that the Inquiry wishes to understand who ultimately made the decision regarding awarding the contract. I can confirm that the final decision was made by and approved by the DoH Minister. It is government practice that a submission detailing information regarding the contract would be drafted by DoH officials and provided by them to the Minister. However, DoF do not have a copy of any such submission, as it is a DoH Ministerial paper. However you will note that I provided an update to DoF Private Office, for the Ministers attention, the Permanent Secretary Sue Gray and Des Armstrong, CPD to confirm that specifications had been finalised, that Health and Social Care Business Services Organisation (BSO) had completed details of the products and quantities and outlined that a submission would be issued to the DoH Minister [SS/75 – INQ000507547].

9. In relation to the samples of all products, these were tested by HSC experts prior to delivery and were compliant with the 'Technical specifications for personal protective equipment (PPE)' applicable at that time. [SS/70–INQ000507540, SS/71–INQ000507543].

10. My previous statement set out the due diligence exercise which was carried out on the China Resource prior to committing to the order. This was carried out by **Company F**. DoH (BSO PaLS) will be able to provide more details on the item specification, quality assurance processes, technical compliance checking and any further due diligence (above and beyond what was provided by **Company F**). The Department did not complete any online forms, any emails which the Department was included in, have been provided.

11. DoF did not carry out any internal risk assessments and I am not aware of any carried out by either The Executive Office (TEO) or DoH however they will be able to confirm this to the Inquiry. The Department's understanding is that the **Company F** report was relied upon regarding their assessment of China Resource.

12. With regard to the stock position, DoF depended on DoH who advised on the volume of items required in light of the existing stock position and demand for PPE items. The Department had no further information or role in relation to stock and demand.
13. The Department has outlined that during this period, PPE pricing was volatile however, as set out in correspondence from Minister Swann to Minister Murphy [SS/80 – INQ000560903], the prices for the bulk order from China Resources were considered by DoH and, whilst comparison would normally be carried out against contract prices, this was not realistic in the market at that time. However, prices were compared against the range of the prices of similar items at that time and were deemed, by DoH, to be reasonable value for money compared with the market highs. I would say that despite the scarcity of supplies and it being a seller's market, as outlined the prices were in the range of previous orders and following my review of the contract terms, I was satisfied that these, as set out, were standard terms. DSO also reviewed the contract, on behalf of DoH, who concluded that whilst the provisions were not typical of the standard government contracts, given the urgent demand for the goods, and the market conditions, the risks had been managed to an acceptable level.
14. The volatility of the market and demand for an ongoing supply of PPE made negotiations on price and contract conditions very difficult. It was apparent that other larger countries were dealing with China Resource and the DoH stock could have easily been sold to another buyer at the same, or higher price.
15. In relation to the receipt of the goods, and the inspection thereof, the Department is not aware of any issues and are not aware of any items which were rejected or non-compliant. However, the inspection and testing of the products was carried out by the Health Sector and DoH will be able to confirm this.

### **Conflict of Interests**

16. I understand the Inquiry are interested in any conflict of interests for this contract. All Civil Servants have a responsibility to declare a conflict of interest if the personal interests of a member of staff compromises, or affects, the actions, judgements or

decision making they take on behalf of the Department. A public body's primary responsibility is to serve the public interest. Therefore, as civil servants, all have a duty to perform the roles efficiently, effectively and fairly.

17. As a Department, all conflicts of interest are identified and managed in a way that safeguards the integrity of staff and Board members and maximises public confidence in decisions and in the organisation's ability to deliver an effective service. The Department can confirm that no conflicts of interest were declared for this contract.

## **Payments**

18. As outlined in my previous statement, each Departmental Accounting Officer is responsible for the management of the Department's resources, under the delegated responsibilities embedded in 'Managing Public Money NI'. The DoH Minister, Robin Swann wrote to the Finance Minister, Conor Murphy on 30 April 2020 requesting financial approval to proceed with the order, as he required confirmation that £61million would be available from the £150million Covid funding, held centrally by DoF [SS/80 – INQ000560903]. Mr Murphy responded on 30 April 2020 to the DoH Minister confirming the financial approval of the £61 million for this purchase, on the basis that the Executive had approved the use of the centrally held £150 million for the purchase of PPE [SS/81 – INQ000560904]. Both of these confirmations from Health and Finance Minister provided the required approvals.
19. The correspondence from Minister Swann also indicated that an upfront payment was required for the initial order, but strong mitigations were in place. DoF officials did express the view that the prepayment was not ideal but because of the extenuating circumstances and the assurances from the DoH Minister regarding the mitigations, they were content for DoH to proceed.
20. The payment of £60,313,800 was made by the Finance Shared Services (Account NI) on the 1<sup>st</sup> May 2020 through ebanking functionality, on behalf of DoH. As the payment was a foreign transaction (China), the payment needed to be made through ebanking.

21. This was a high priority urgent payment, as such payment was made on the 1<sup>st</sup> May 2020, prior to the financial system supporting transactional detail being recorded. A Purchase Order (6140012621) was created on the 13th May 2020 by DOH, the invoice scanned onto the Oracle Accounts payable and receipted by DOH, the Purchase Order was suppressed to ensure it would not issue, the payment was recorded as a 'clearing type payment' to ensure it would not be paid again, and this enabled the financial system to hold the relevant data for reporting purposes i.e. the supplier, contract and expenditure data.

22. Advice and a draft response from DoF officials to the Finance Minister was provided [SS/82 – INQ000560907]. As outlined, the formal letter to agree to the order was issued to the DoH Minister by the Finance Minister on 30 April 2020.

### Statement of Truth

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

**Signed:** Personal Data \_\_\_\_\_

**Date:** 14/02/2025