

Witness Name: Department of Finance

Statement No.: 1

Exhibits:

Dated: October 2024

UK COVID-19 INQUIRY

WITNESS STATEMENT OF THE DEPARTMENT OF FINANCE

I, Sharon Smyth, will say as follows:

1. As a senior Civil Servant, I am the Chief Executive of Construction and Procurement Delivery (CPD) in the Department of Finance (DoF). I have responsibility 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. During the period 1 January 2020 to 22 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.
3. As of 31st 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 NICS HR 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 which has solicitors allocated to each department to provide the necessary legal advice.

The Executive and Department of Finance

4. The arrangements for devolved government in Northern Ireland (NI) are set out in the Northern Ireland Act 1998 (the NI Act) which was enacted following the Belfast Agreement. The NI Assembly is responsible for the delivery of public services in Northern Ireland which are devolved to the NI Assembly under the NI Act. The NI Executive committee is the devolved government in Northern Ireland and is answerable to the Assembly, as the legislature. It is made up of the First Minister and deputy First Minister who are joint Chairs, two Junior Ministers and eight other government ministers, seven of which are nominated by the political parties in the Assembly and the Minister of Justice who is appointed through a cross-community vote in the Assembly.
5. Each Minister oversees a Department. The Department of Finance (DoF) is one of nine Northern Ireland departments constituted under the Departments Act (Northern Ireland) 2016 and the Departments (Transfer of Functions) Order (Northern Ireland) 2016. Each Department is a legal entity in its own right with a specific role and functions. Prior to 2016, the Department was named the 'Department of Finance and Personnel (DFP)'.
6. The overall aim of the Department of Finance is to help the NI Executive secure the most appropriate and effective use of resources and services for the benefit of the

community and deliver quality, cost effective and efficient public services and administration in the Department's areas of executive responsibility. This includes Finance, Strategic policy; Innovation and Consultancy Services; Construction and Procurement Delivery; the Departmental Solicitor's Office; Internal Audit Services; NICS shared services for personnel, finance, ICT, training, digital transformation and service related administration costs; NICS Accommodation Services; some grant-in-aid payments; receipt of grants; the administration of centralised funds from UK Treasury; services provided by the NI Statistics and Research Agency (NISRA) and Land and Property Services (LPS); grants to district councils; operational and programme costs of the Special European Union Programmes Body (SEUPB); payment and income under the European Union structural funds programmes; operational costs of the Fiscal Council and Fiscal Commission; the sponsorship and provision of secretariats in respect of other independent bodies; other common services; settlement of NICS equal pay claims; expenditure on activities that are required as a result of the United Kingdom's exit from the European Union; contribute to Governmental response to the coronavirus COVID-19 pandemic; severance payments; compensation payments; associated non-cash items.

7. DoF is responsible for advising the NI Executive and Assembly on the control and management of all public expenditure resources. When the Executive has determined, and the Assembly assented to and approved, the allocation of resource to individual departments it is then the responsibility of individual Departmental Accounting Officers, operating under the direction of their Minister to manage and account for the deployment of these resources. This delegated responsibility is embedded in 'Managing Public Money NI' (MPMNI) (**SS/01–INQ000099783; SS/02–INQ000099784**) which is the accountability framework that Accounting Officers are held to by the NI Assembly. This document provides guidance on a wide range of issues, relating mainly to the proper handling and reporting of public money. It sets out the main principles for managing resources used by public sector organisations in Northern Ireland. MPMNI originally issued in June 2008, revised in 2013 and was updated and published in November 2023, following Treasury Updating their Managing Public Money document. The current version is issued by the Department of Finance (DoF).

8. Specifically, the Public Spending Directorate (PSD) within DoF is responsible for supporting the Finance Minister and Executive in securing the allocation and effective use of financial resources available to NI. The PSD also manages the process around draw down of the associated cash grant from the Northern Ireland Office (NIO) and onward distribution to departments.
9. The PSD has also responsibility for the management of public expenditure in Northern Ireland which includes the Executive's Budget process which sets departmental expenditure limits (DEL) budgets for future years and for the management of the in-year monitoring process which facilitates adjustments to those DEL budgets during the relevant financial year. These processes involve gathering information from departments, including requests for additional funding, and using this to inform recommendations by the Finance Minister to the Executive for final decision. Departmental allocations agreed as part of the Executive's Budget are set out in published budget documents.
10. In normal circumstances, the in-year monitoring process provides the NI Executive with three opportunities each year to assess and review NI departmental budgets and address emerging risks and issues by directing available resources appropriately. Any changes agreed by the Executive through the in-year monitoring process are detailed in statements to the Assembly by the Finance Minister.
11. Departments are expected to manage emerging needs and prioritise budgets in the first instance, when required. This includes addressing pressures within the Arm's Length Bodies for which they are responsible. As well as re-prioritising internal budgets, Departments may bid for additional funding, usually during monitoring rounds, but this was amended during the pandemic. While in some instances internal reprioritising may require DoF approval, this can be facilitated quickly in emergency situations.
12. The number of in-year financial exercises can be increased to take account of emerging issues such as health emergencies. Should additional funding be provided centrally from UK Treasury, it is included in the next appropriate financial exercise. Departments will then have an opportunity to submit bids to the Department for

additional funding, including for their arm's length bodies and other entities for which they have responsibility. Most of the funding received from UK Treasury is received under the Barnett Formula and is unhypothecated – meaning it is for Executive Ministers in NI to allocate it in line with local needs and priorities. This was the case during the Covid pandemic when 14 additional exercises were carried out to allocate additional funding received from UK Treasury. This provided an agile and responsive process for the Executive to respond swiftly to changing needs. The UK Treasury annually publish Block Grant Transparency documents which shows a breakdown of changes in the devolved administrations' block grant funding.

13. The Department was also involved in the Executive Covid Taskforce which was established to support the progress and implementation of the Covid-19 Recovery Plan and to assume responsibility for monitoring and reporting to the Executive. The Department's role was to assist with monitoring and supporting progress of the Covid-19 Recovery Plan against timescales and budget, which was an objective of the Taskforce. Specifically, the Department was able to inform and advise the Covid-19 Recovery Plan on financial expenditure which had been allocated across the Departments, for example the Covid financial support schemes. However, there was no additional funding for this recovery plan, so the role of the Department was limited to advising on spending in relation to the impact of Covid.
14. During the pandemic, the Department brought four papers to the Executive regarding procurement, but not specifically about the procurement and distribution of PPE and key medical equipment. The four papers were brought to the Executive on March 2020, June 2020, July 2021 and November 2021 and all agreed. Further details are provided within this statement and the official minute is held by the Executive Office.

The Department's Management

15. In order to respond effectively and at pace to the pandemic, the senior management team supported the Finance Minister, provided advice and proposals on how to manage the work of the Department and responded to the needs of the Executive. Senior management were responsible for the policy work of their teams. The Permanent Secretary supported the Minister as the head of the Department, and the

Accounting Officer for the decisions made. The Permanent Secretary was also responsible for the day-to-day running of the Department during a challenging and unprecedented period.

16. The senior management team provided advice and support to the Finance Minister and Permanent Secretary and played a significant role in supporting all Departments with shared services. One of which is the area of procurement. The Construction and Procurement Delivery (CPD) Directorate has two Centres of Procurement expertise - Supplies and Services Division, providing works, supplies and services procurement advice; and Construction Division responsible for the delivery of construction services for the NICS Departments and the management of NICS Estate Properties. This reflects the fact that there are synergies and opportunities to deliver shared services from a single organisation to harness expertise and create additional efficiencies and greater effectiveness.

17. There were no changes in the structure of the Department from prior to the pandemic.

The Department's Role in Procurement

18. The DoF CPD is also responsible for Public Procurement Policy in Northern Ireland. This policy responsibility remained the same throughout the pandemic. Within the procurement legislative framework, NI is covered by the UK procurement regulations and EU 'emergency' guidance. This was not impacted by Brexit.

19. The UK Public Contracts Regulations 2015 (PCR), the Utilities Contracts Regulations 2016 and the Concessions Contract Regulations 2016 were in place during the pandemic.

20. In addition to the regulations, NI Public Procurement Policy (NIPPP) approved by the Executive in 2002, sets out key definitions and the framework of organisational responsibilities for procurement policy and practice. The Policy applies to Departments, their Agencies, non-Departmental Public Bodies and Public Corporations, but not local government. [SS/03–INQ000494692]

21. The Minister for Finance has Executive responsibility for the development of procurement policy and legislation. The Minister is supported by the Procurement Board, chaired by the Minister. During the collapse of the Executive between 2017 and 2020, the Procurement Board (which comprised mainly of Permanent Secretaries) was chaired by the Head of the Civil Service. The last meeting of the Procurement Board before the February 2020 restoration of the Executive was 8 October 2019.
22. The Finance Minister Conor Murphy MLA re-constituted the Procurement Board in December 2020. The Board comprised Industry Representatives and senior procurement practitioners appointed by the Minister to advise him on the development of Public Procurement Policy. During the period under the Inquiry's review (1 January 2020 to 28 June 2022) the Procurement Board met 8 times - 16 December 2020; 10 February 2021; 14 April 2021; 9 June 2021; 29 September 2021; 1 December 2021; 2 February 2022; 9 March 2022. Minutes of the meetings are published on the website (with the exception of the introductory meeting in December 2020).
23. In addition, and as previously referred to, CPD provides professional procurement services to assist NI Civil Service departments, agencies and non-departmental public bodies contract for the supplies, services and works required to deliver public services. DoF CPD also assists the Finance Minister and the Executive to develop Public Procurement Policy and works with Cabinet Office on the implementation of Public Procurement legislation.
24. Within the NI Government overall, CPD has two Centres of Procurement Expertise (Supplies and Services Division and Construction Division); the Department of Health (DoH) has two Centres of Procurement Expertise (Health Estates and Business Services Organisation Procurement and Logistics); the Department for Infrastructure has three Centres of Procurement Expertise (Transport and Road Asset Management, Translink and NI Water); Department of Education has one Centre of Procurement Expertise (Education Authority); the Department for Communities has one Centre of Procurement Expertise (NI Housing Executive).

25. During the pandemic Health Estates, including the associated staffing, came under the remit of DoF CPD having moved to DoF from the Department of Health (DoH) in 2014. The function moved back to DoH in April 2023.
26. Prior to the pandemic CPD would have procured general workwear and protective personal equipment (PPE) for site workers (e.g. hard hats, boots, overalls, hi-vis jackets/bibs etc) and some specialist, clinical grade equivalent PPE for Forensic Service Northern Ireland and the State Pathologist Department as an Arm's Length Body and Non-Department Public Body, respectively, of the Department of Justice. Prior to the pandemic CPD would not have purchased healthcare supplies (e.g. clinical grades masks, gowns etc). These would be routinely purchased by the Department of Health's Centre of Procurement Expertise, Business Services Organisation Procurement and Logistics Service (BSO PaLS).

Procurement Guidance

27. During the pandemic, the UK Public Contracts Regulations 2015 was the main set of regulations relevant to the award of PPE contracts. In March 2020 and effective immediately, the Cabinet published a Procurement Policy Note (PPN) [**SS/17-INQ000048822**] which advised that there was a range of commercial actions that must be considered by contracting authorities in responding to the impact of COVID-19. In such exceptional circumstances, authorities may need to procure goods, services and works with extreme urgency. Whilst procurement policy is a devolved matter, NI would follow UK Procurement Policy Notes which are directly related to the UK Regulations (e.g. PPNs regarding UK Thresholds which are published every 2 years).
28. This 'extreme urgency' provision was permissible under current public procurement regulations (Public Contracts Regulations 2015) using regulation 32(2)(c). This UK PPN and associated guidance covered options that may be considered in relation to procurements under the Public Contract Regulations 2015 specifically: direct award due to extreme urgency (regulation 32(2)(c)); direct award due to absence of competition or protection of exclusive rights; call off from an existing framework

agreement or dynamic purchasing system; call for competition using a standard procedure with accelerated timescales and extending or modifying a contract during its term.

29. In addition, the European Commission issued guidance on 1 April 2020 [**SS/18–INQ000494704**] to explain how the current procurement rules should be used in the combat against COVID-19. The guidance focused on procurements in cases of extreme urgency, and states that in a situation such as the current COVID-19 crisis (which presents an extreme and unforeseeable urgency), the EU directives permit public buyers to negotiate directly with potential contractor(s) without; publication requirements, time limits, minimum number of candidates to be consulted, or other procedural requirements.
30. The guidance outlined that, in practice, public buyers can act as quickly as is technically/physically feasible which includes: contacting potential contractors in and outside the EU by phone, e-mail or in person; hire agents that have better contacts in the markets; send representatives directly to the countries that have the necessary stocks and can ensure immediate delivery; contact potential suppliers to agree to an increase in production or the start or renewal of production.
31. It is noted that Non-Pharmaceutical Interventions (NPIs) were imposed in Northern Ireland which had an impact on suppliers and contractors that were 'in contract' with NI Central Government Bodies, Non-Departmental Government Bodies (NDGBs) and Arm's-Length Bodies (ALBs).
32. To reduce the financial impact on suppliers and contractors, CPD developed procurement guidance notes on the approach to supplier relief due to COVID-19 and recovery and transition from COVID-19 and published a procurement advisory note on construction material costs during pandemic recovery. This was following approval by the Finance Minister and NI Executive. The aim was to provide advice and guidance to public bodies, so that contracts could be maintained during the unprecedented global market conditions.

33. In total, the Minister for Finance obtained agreement from the NI Executive to publish two Procurement Guidance Notes (PGNs); one Procurement Advisory Note (PAN) and five Public Procurement Policy Notes (PPNs) during the period 1 January 2020- 28 June 2022. Prior to the re-constitution of the Procurement Board in December 2020 the PGNs were agreed by the Executive. The Procurement Advisory Note was drafted in consultation with the Industry representatives and was approved by the Executive. The newly re-constituted Procurement Board assisted with the drafting and endorsed the five PPNs prior to them being issued for approval to the Executive. **[SS/13–INQ000494699, SS/14–INQ000494700, SS/15–INQ000494701, SS/16–INQ000407926].**

34. The sequencing for the endorsement and approval of the procurement guidance, advice and policy is as follows:

- Published 25 March 2020 Procurement Guidance Note (PGN) 01/20 Supplier relief due to COVID-19 (Implement measures to pay suppliers to maintain cash flow and protect jobs) – this was approved by the Executive on 25 March 2020 **[SS/05–INQ000267876];**
- Published 22 June 2020 PGN 02/20 Recovery and Transition from COVID-19 (Guidance for public bodies on payment of their suppliers to ensure service continuity during the current coronavirus, COVID-19, outbreak with a requirement to develop and agree transition plan away from supplier relief) – this was approved by the Executive with effect from 1 July 2020 to 31 October 2020 **[SS/06–INQ000267877];**
- Published 3 August 2021 Procurement Advisory Note PAN 01/21 Construction Material Costs during Pandemic Recovery was approved by the Executive on 29 July 2021 **[SS/04–INQ000267878];**
- Procurement Policy Note 01/21 – (July 2021) Scoring Social Value - mandates that from 1 June 2022 tenders must include a minimum of 10% of the total award criteria to social value was endorsed by the Procurement Board and approved by the Executive on 1 July 2021. **[SS/07–INQ000494693]**
- Procurement Policy Note 02/21 (November 21)- Procurement of Social and Other Specific Services - sets out the Procurement Policy in relation to the commissioning and procurement of social and other specific services, also referred to as services falling under the 'Light Touch Regime' was endorsed by

the Procurement Board and approved by the Executive on 17 November 2021 .
[SS/08–INQ000494694]

- Procurement Policy Note - 03/21 (November 21) Supply Chain Resilience - actions to ensure public procurement expenditure contributes to the economic, environmental and social outcomes through better management of supply chains was endorsed by the Procurement Board and approved by the Executive on 17 November 2021. **[SS/09–INQ000494695, SS/10–INQ000494696]**
- Procurement Policy Note - 04/21 (November 21) Procurement Control Limits - sets out the Procurement Control Limits (PCLs) which are designed to ensure that public procurement contributes to a strong, competitive, regionally balanced economy was endorsed by the Procurement Board and approved by the Executive on 17 November 2021. **[SS/11–INQ000494697]**
- Procurement Policy Note - 05/21 (November 21) Human Rights in Public Procurement - mandates the actions that Departments must take to incorporate human rights considerations into contracts when conducting a procurement process was endorsed by the Procurement Board and approved by the Executive on 17 November 2021. **[SS/12–INQ000494698]**

35. The Procurement Guidance Note (PGN) 01/20 on Supplier Relief was introduced in March 2020 by the Department when the impact of the pandemic on government contractors became apparent. The PGN 02/20 on the Recovery and Transition was published in July 2020 to help with recovery from the pandemic. In June 2021, it became apparent that construction costs had increased rapidly, and this was having a significant impact on the industry. In addition, there was supply chain issues affecting the availability of construction materials and so the Procurement Advisory Note (02/21) on Construction Material Costs was published in August 2021. The PGNs and PAN were specifically relevant to dealing with the pandemic and have now been archived.

36. In relation to the five Procurement Policy Notes (PPN), these were published between June and November 2021 to address Supply Chain resilience, Social Value, Human Rights in Public Procurement, Procurement of Social and other Specific Services and reaffirming the Procurement Control Limits.

37. Of all the procurement guidance issued, the Department would view the Procurement Policy Note on Supply Chain Resilience as the most relevant to matters related to the pandemic.
38. The Inquiry will wish to note that none of the policies, procurement guidance and advisory notes related specifically to the procurement or distribution of PPE, ventilators or healthcare equipment and supplies. In addition, no specific policies were developed for the procurement of PPE or ventilators in NI. However, the Department and Northern Ireland relied on the European Commission's Emergency Guidance published on 1 April 2020, as detailed previously, to procure emergency supplies. The guidance clarified how the procurement rules would apply in the emergency situation related to the COVID-19 crisis. This guidance focusses especially on procurements in cases of extreme urgency, which enable public buyers to buy within a matter of days, even hours, if necessary.
39. Furthermore, there were no Policy Notes developed for the manufacturing and distribution of PCR tests and Lateral Flow Tests (LFTs) in Northern Ireland. The Public Contracts Regulations 2015 were the applicable regulations.
40. It should also be noted that DoF exchanged information across the NICS provided from the World Health Organisation which provided information on how to spot fraudulent certificates and masks advice. In addition, CPD circulated advice from Competition and Markets Authority to identify and report any attempts of price gouging/excessive price hikes during the current crisis. **[SS/19-INQ000494705]**
41. The PSNI were the main user of higher grade, non-clinical PPE due to their close contact with members of the public. In order to address anti-fraud and due diligence measure on the quality of supplies for the Police Service of NI (PSNI), DOF requested samples of products from the supplier, to allow independent testing by a PSNI team in Garnerville; in particular FFP3 masks. PSNI advised if they met the quality threshold and if so, they were added to the PPE list and it was circulated to the departmental contact PPE distribution list along with the price point, quantities available, delivery options and timescales. Departments used this as a source to benchmark, seek quotes or orders from. This testing was only for non-clinical PPE,

with HSC Business Service Organisation Procurement and Logistics Service (BSO PaLS) taking forward testing for PPE supplies for clinical.

42. The PSNI were equipped to make this determination as they regularly purchased personal protective equipment items for police officers and other frontline staff and had a team already in place before the pandemic who test equipment against the technical specification. The PSNI will be able to provide further detail on the specific process, expertise and confirm whether experts in infections were involved.
43. Whilst no instructions, process maps or document packs were provided to the PSNI, in order to assess PPE during the pandemic, the Department did provide the PSNI with technical specifications from BSO PaLS through CPD. These specifications were for masks and coveralls. They checked the Type IIR masks CE marks against approved manufacturers and also against guidance from Public Health Authority/Public Health England and the World Health Organisation who had identified fakes. Regarding the coveralls, it is the Departments understanding these were for use by their own staff in custody settings. At the time, the PSNI were not viewed as experts in infection, and they did not have access to labs. However, they had the capacity and equipment to test PPE for PSNI staff and NICS users in non-clinical settings i.e. the PPE was not used for the health sector nor by health sector frontline workers.
44. The Department were informed by the PSNI that they had and used TSI Portacount process for testing of FP3 masks. The TSI Portacount is the most widely used and trusted Quantitative Fit Test method. The Portacount provides a direct assessment of respirator fit by comparing the concentration of ambient dust particles outside the facepiece to the concentration of particles that have leaked into the facepiece. The ratio of these two concentrations is called the Fit Factor. The Portacount uses a bespoke computer programme which runs an automated fit testing procedure that directly follows the HSE INDG 479 protocol. The software controls the test sample timing, test exercises and pass levels and allows the operator to input candidate/mask specific information.

45. If any mask failed these tests, they were not added to the list of potential PPE suppliers which was being compiled by this Department. The Inquiry will note that, prior testing, no orders had been or would be placed. The Department did not record figures or details on how many failed the test as there was no contract and so there was no loss to the taxpayer.

Financial Guidance regarding Procurement

46. In line with Managing Public Money NI, all Departments are required to obtain DoF approval for spend above agreed delegated limits – this would have been the case for the Department of Health (DoH) when procuring healthcare equipment and supplies. These delegated limits were as set out in DAO (DoF) 06/12, subsequently replaced by DAO (DoF) 08/21 issued in October 2021, in line with business as usual approach to review guidance. **[SS/20–INQ000494706, SS/62–INQ000507530]**
47. The delegated limits to departments, provide authority for them to enter into commitments and to spend within defined limits, subject to certain restrictions – these restrictions are set out in MPMNI. The delegations are also subject to the general requirement that DoF approval is always required for any proposal in any of the restricted categories. Each department has its own specific delegations often based on legislative requirements specific to that department. These delegated limits are periodically reviewed to ensure they are still relevant, and consideration given to increasing or decreasing the delegated limit.
48. Requests for expenditure approval are typically made by way of a business case, developed in line with the ‘Better Business Case NI’ guidance (introduced in November 2020; previously the ‘Northern Ireland Guide to Economic Appraisal and Evaluation’). **[SS/21–INQ000494707]** All proposed spending proposals over the delegated limit require a proportionate business case which is scrutinised by DoF’s Supply Division, with advice sought from departmental specialists as appropriate, and a decision to approve the expenditure decision or not taken on that basis. It should be noted that Supply only reviews business cases which exceed the set delegated limits. In so far as the Department can be aware, both the DoH and BSO PaLS adhered to the set delegated limits. **[SS/63 – INQ000507530]**

49. On 23rd March 2020, DoF wrote to all Departmental Finance Directors setting out the funding and approval process to be followed for routine expenditure, COVID-19 NI response and COVID-19 urgent requirement response. [SS/22–INQ000237288]
50. This letter stated that the normal approval process should be followed for routine, business as usual expenditure. However, it also indicated that, where a Department received an allocation for a COVID-19 response, in recognition of the speed with which an intervention might need to be put in place, an abbreviated process may be followed. This letter therefore included a template for Departments to complete before expenditure in relation to such measures could be commenced. The letter states that DoF approval should still be sought where the expenditure breached a delegated limit.
51. The Inquiry will also wish to note that Managing Public Money NI (MPMNI) is also applicable to the use of advance payments and direct award contracts. Annex 4.8 of MPMNI deals with expenditure and payment and A4.8.5 notes *“Payments in advance of need shall be exceptional, and shall only be considered if a good value for money case for central government can be made. Even then, as advance payments lead to higher financing costs, such payments are novel and contentious and require specific DoF approval. Advance payment shall never be used to circumvent expenditure controls or budgetary limits.”* In March 2020, the Department of Health sought approval from the Department of Finance for the urgent purchase of testing kits and ventilators in advance of need. The Department of Finance agreed to set aside the guidance within MPMNI and allow payment in advance of need on an exceptional basis in this case. In relation to any other advance payments, it is for the relevant Department to ensure that they follow MPMNI guidance and monitor spend against their contracts and seek approvals as required. The budget holder would have been responsible for checking the credentials of the supplier before authorising payment. [SS/64–INQ000507532, SS/64a–INQ000507533, SS/64b –INQ000507534, SS/65–INQ000507535]
52. In order to ensure compliance with MPMNI, DAO (DoF) 08 21, previously referred to, sets out the review required for business cases. It states that each department

should carry out an annual review of the processes in relation to the appraisal of cases that fall within its delegated limits, to ensure that the proper processes are being followed. In addition to the annual review of processes, this DAO also outlines that departments should conduct ad hoc 'test drilling' of economic appraisals and post projects evaluations. It states that the review should be undertaken independent of the spending area and a report of the findings should be provided by departments to the Departmental Accounting Officer and to DoF on an annual basis, by 30 June each year. DoF also carry out annual test drilling exercises on business cases completed by departments below and above delegated limit against the guidance.

53. The Inquiry are informed that in February 2021, HM Treasury changed the budgeting guidance so that PPE stock held at year end would score in Resource Departmental Expenditure Limit (DEL). This was a change from the Consolidated Budgeting Guidance which advises that stock should only impact on the budget when it is consumed or written-off. This change, in terms of budgeting treatment, was made by HM Treasury and the Department was not provided with the rationale or background as to why this change was made. To note, DEL is a spending aggregate that sets firm expenditure limits for a multi-year period. DEL includes that expenditure which is generally within the department's control and can be managed within multi-year limits. These limits are set at a Northern Ireland level by UK Spending Reviews. The NI Budget then sets out individual NI departments' DEL controls which have been determined through the local Budget process. DEL is split into Resource DEL (RDEL) which reflects the ongoing cost of providing services and Capital DEL (CDEL) which reflects investment in assets which will provide, or underpin, services in the longer term.

Procurement of Healthcare Equipment and Supplies during the Pandemic

54. On 23 March 2020 the Civil Contingencies Group (CCG) asked the DoF's Permanent Secretary to urgently 'progress the provision of Personal Protective Equipment (PPE). On 24 March 2020 a PPE Hub was established in Construction and Procurement Delivery (CPD) Supplies and Services Division (SSD).

55. During the pandemic the key objectives for the PPE Hub were to: co-ordinate offers of help from PPE suppliers and distributors – this included providing a triage service for DoH Business Service Organisation, Procurement and Logistics (BSO PaLS) and providing co-ordination and support to all NICS Departments requiring PPE; identify opportunities to collaborate on a North/South and East/West basis; and identify opportunities for manufacturers to shift their operations to the production of essential PPE clothing and other products.

56. Whilst the work of the PPE Hub was overseen by the DoF Permanent Secretary, with regular updates being provided to the Minister of Finance, I led the operations of the Hub. A structure and governance document was drafted in order to ensure that roles, responsibilities, governance, reporting and communications were clearly set out.

[SS/66–INQ000507536]

57. At the outset of the pandemic the Department offered DoH assistance with the procurement of testing kits and equipment, however DoH advised that clinical input was required and therefore DoF would not have any no role in procuring ventilators, LFDs, PCR tests, ventilators or healthcare equipment. The provision of key healthcare related equipment and ventilators and oxygen would have been procured mainly by DoH.

58. With regard to the UK wide procurement of lateral flow tests and PCR tests these were procured by DHSC Department of Health and Social Care Department (Whitehall) and not by DoF. DoF assisted the procurement of PPE by engaging with suppliers and triaged the suppliers. This entailed reaching out to all PPE suppliers under existing contracts and exploring all established contract routes.

59. The Inquiry will wish to note that DoH carried out the Quality Assurance and clinical assessments on products for the healthcare family. Specifically, BSO PaLS, as the Centre of Procurement Expertise for procuring supplies and services within the Health Sector, carried out the assessments. DoF had no involvement, nor engaged with the health care professionals, in these clinical assessments and would not be privy to the approach to the assessment or what products were subject to assessments. The Department has no detail on the Quality Assurance process

however DoH will be able to assist with this information. Healthcare family refers to all bodies within the Health Sector and a listed list of these bodies is provided on the DoH website.

60. Within a few weeks of establishing the PPE Hub, and to ensure a coordinated approach to receiving offers, all offers of help were submitted through a single landing page via NI Direct. A document was developed and issued to all staff in the Hub, namely the 'Centralisation of Offers' document to advise of the coordinated approach through the mailbox which sat behind the landing page managed by a dedicated team of procurement professionals within CPD. [**SS/67–INQ000507537**]
61. This document meant that when offers were received, they were all processed in the same way. These being Strand One Triage which was an initial triage carried out to identify whether the offer includes supply of one of the critical PPE items required by organisations (i.e. masks, gloves, hand sanitiser, coveralls). CPD procurement professionals then applied a method of triage specified by BSO PaLS so that bona fide offers could be channelled instantly to the Health procurement team who then take action to allocate a Procurement Lead; make contact with the market to secure supply based on availability and value for money/benchmarking against the price range at that time; if an alternative product is required, provide information to allow clinical/technical assessment groups to approve/reject and then order placement.
62. Strand two triage was for the non-health organisations. CPD procurement professionals worked to identify bona fide products leads in sufficient quantities to meet the specified demand. These were shared on a daily basis to allow immediate procurement by those organisations. There was no financial risk RAG system (or similar) used.
63. The Inquiry are also informed that, if suppliers did not provide samples or information on pricing, certification, they were not included on the list. One of the updates provide by BSO PaLS during this period is attached which outlines the process taken and some early results from orders placed using the triage process. [**SS/68–INQ000507538, SS/69–INQ000507539**]

64. The procurement need within the Department of Finance was minimal during the specified period and in general was around the requirement to maintain Health and Safety in the office accommodation. This included procurement of sanitising products including fluid, wipes and dispensing equipment. As outlined, CPD assisted and supported DoH colleagues regarding their procurement requirements and also co-ordinated supplier information for PPE which assisted other Departments and Arm's Length Bodies in carrying out their own procurement exercises. DoF did procure just over £61,000 of PPE (sanitiser, face masks etc) for its own end users i.e., those persons within the Department who were provided with PPE in the Department when they were working there during the Covid restrictions rather than large scale procurement.
65. In addition, CPD procured a small number of FFP3 masks for use by construction staff and hand sanitiser and wipes for CPD's office. CPD did not procure ventilators, LFTs, PCR or medical equipment.
66. As it was a health crisis and undertaking services were an essential service, DoJ funded the PPE provision for undertakers including body bags, gowns, FFP3 masks, gloves and sanitiser. CPD worked with the National Undertakers Association and DoJ to identify and quantify essential PPE requirements. CPD sourced, sought quotes and awarded on behalf of DoJ. DoJ managed all related invoicing and payment. **[SS/23–INQ000494708, SS/23a–INQ000494709, SS/23b–INQ000494710, SS/23c–INQ000494711, SS/23d–INQ000494712, SS/23e–INQ000494713, SS/23f–INQ000494714.]**
67. The DoJ Undertaker PPE contracts were awarded via direct award, quotation or constituted as a transaction if under £5k. DoJ funded and provided these supplies to the private undertaker sector as this was an immediate, high risk, public health crisis. **[SS/24–INQ000494715, SS/24a–INQ000494716, SS/24b–INQ000494717]**
68. In addition to PPE provision DoJ had to make contingency arrangements to support removal and transport of the deceased in case undertakers were overwhelmed and did not have the capacity to respond to any potential surge. Two direct awards were put in place by CPD, on behalf of DoJ, with private ambulance contractors,

I&S and **I&S** [SS/25–INQ000494718, SS/25a–INQ000494719, SS/25b–INQ000494720, SS/26–INQ000494723, SS/26a–INQ000494724, SS/26b–INQ000494725, SS/26c–INQ000494726, SS/26d–INQ000494727]

69. **I&S** were a health sector provider who had a number of private ambulances. Normally these vehicles would have been used to transport patients from hospital to Belfast International Airport, for transport by aeroplane on to England for further treatment. **I&S** are a Belfast based private ambulance service who provide Event Medical Cover, Patient Transfers, Medical Repatriations, First Aid Training and Infection Prevention & Control.
70. CPD provided support to DoJ and facilitated the direct award of these contingency contracts. These contracts were awarded on the basis of no guarantee of any level of business, only to be engaged if the worst-case scenarios occurred and the initial surge levels realised. The Department's role ceased when the contingency arrangements were established and so we cannot comment on whether the contract was used as this will be a matter for the DoJ.
71. As outlined previously, CPD provided advice on PPE direct award contracts which were awarded during COVID. For expediency, Departments awarded the contracts directly as they negotiated price, volumes and delivery and held the budget to make payments.
72. Providing advice on Direct Award Contracts (DAC) is a standard service provided by CPD to NI Departments and their Arm's Length Bodies. Departments requesting advice on a DAC are required to provide the information requested on the Direct Award Contract Proforma. CPD provides their advice on the basis of the information presented and compliance with the public procurement policy and the Procurement Contracts Regulations. During the pandemic, CPD provided advice on a total of 85 PPE Direct Award Contracts.
73. All of these DACs were based on advice being sought on a quantity of PPE for a fixed price and may have included an option for additional supplies called off at the same unit price. The financial risk was managed by the budget holder who ensured

the appropriate quantity of goods, to the quality specified were delivered within the timescale specified.

74. CPD would not typically provide advice on Direct Award Contracts for supplies for Health Trusts. However, due to the commitment given at the Civil Contingencies Group for DoF to support DoH with the procurement of PPE during the pandemic, CPD provided advice to the Department of Health for the Direct Award Contract for PPE with China Resources. Further details on this advice and due diligence is provided further in this statement.
75. In relation to BSO PaLS, DoF CPD have no oversight role on its procurement operation. Aside from the Direct Award Contract with China Resource, CPD had no role in monitoring the use of DACs by BSO PaLS. In addition, and as outlined previously, the Department is only aware of the requirement for an advance payment for COVID testing kits for NI in March 2020. If additional advance payments were made, the Department is not aware of these and it will be for BSO PaLS to provide details on why MPMNI was not followed. Outside MPMNI there were no further interventions, support, guidance or training provided by the Department. There was no procurement guidance put in place for advance payments.
76. The Inquiry will also wish to note that the DoF Departmental Management Board discussed the matter of PPE at both the 25 June 2020 [**SS/27-INQ000128646**] meeting and the 30 July 2020 meeting [**SS/28-INQ000128648**].
77. I understand that the Inquiry would like more information on the steps taken to encourage the local market to bid for PPE work. The Department was aware that BSO PaLS established a PPE Dynamic Purchasing System (DPS) which was available for all public bodies to use and it was in use in June 2020. The DPS framework was open for an initial 5 years and suppliers could request to be added at any time. CPD encouraged suppliers to become part of the DPS. CPD is also aware that the DPS had over 100 suppliers listed. However, as it is their system, BSO PaLS will hold more information and specific numbers of suppliers.

78. In relation to the four-nations group, this discussed PPE supply levels in each part of the UK (England, Wales, Scotland and NI). In July 2020, there had been an expectation that the procurement of PPE would be managed at UKG level organising bulk orders directly from manufacturers. Given the need for PPE in England far exceeded the demand in NI, it became apparent that each jurisdiction would be required to meet its demand from its own sources. The meetings were organised by UKG and attended by the Health Representatives in the 4 Nations. Whilst DoH attended this meeting, the DoF Permanent Secretary asked for DoF to be represented as an observer. I attended these 4 Nations meetings.

79. The Departmental papers also notes that the Minister had agreed a strategic approach regarding PPE. To clarify, this was in reference to Minister Conor Murphy and he had agreed that the Department should seek to source PPE on a North/South and East/West basis and also look to international sources. The East/West sourcing strategy was led by UKG and was well documented and led by DoH. The North/South and International sourcing strategy was set out in a joint letter from DoF and DoH to Simon Harris, ROI Health Minister when the Ministers outline they are *'keen to work collaboratively on building capacity here particularly given our joint manufacturing capability'* and also refers to DoF and DoH exploring the use of Invest NI and the Executive Office's China Bureau to secure international orders. **[SS/77–INQ000130078]** Furthermore, during a key issue meeting on 16 April 2020, it was agreed that there was a *'Need for a strategic look at the pandemic response and procurement to look at locally sources items – consider the degree of self-sufficiency on the island. Requirement to have a strategy in place re PPE and the supply chain'*. This was deemed the approach and strategy the Minister wished to take. **[SS/38–INQ000470962]**

80. The reference to CCS is an abbreviation of the Crown Commercial Service (CCS). The contact for NI at this time was, and still is, Paul Hansen. Paul Hansen has been the CCS Account Manager for over 10 years and therefore the contact with Paul was well established and continues to be.

81. In addition, regular discussions were held between officials and the Minister during this time – a total of 26 meetings discussed this issue – this was in both specifically

held meetings about PPE or during the established key issues meeting. A meeting was held with Minister Murphy, Minister Swann and officials on 1 April 2020. In addition, on 15 April 2020, Minister Murphy had a meeting with Wales counterparts to discuss PPE. [SS/29–INQ000470961, SS/30–INQ000130086, SS/31–INQ000470972, SS/32–INQ000470983, SS/33–INQ000470985, SS/34–INQ000470986, SS/35–INQ000470987, SS/36–INQ000470988, SS/37–INQ000470989, SS/38–INQ000470962, SS/39–INQ000470963, SS/40–INQ000470964, SS/41–INQ000470965, SS/42–INQ000470966, SS/43–INQ000470967, SS/44–INQ000470968, SS/45–INQ000470991, SS/46–INQ000470969, SS/47–INQ000267755, SS/48–INQ000470971, SS/49–INQ000470973, SS/50–INQ000470974, SS/51–INQ000470975, SS/52–INQ000470976, SS/53–INQ000470977, SS/54–INQ000470978, SS/55–INQ000470979, SS/56–INQ000470980, SS/57–INQ000394125]

82. Officials from CPD had regular phone calls (mostly daily from 23 March until end April 2020) with Peter Wilson (BSO PaLS) and weekly calls with DoH (Sharon Gallagher) in relation to PPE. The calls could last from 5 to 15 mins and were to advise on any developments from the previous day/week or any actions which needed to be taken. The Department did not record the date of these calls due to their frequency. CPD was not involved in discussions regarding healthcare equipment with DoH or PaLS. Officials used the update calls to enable an update to be provided during discussion with the Minister. The key internal PPE discussions took place on 1st, 2nd, 6th, 9th, 10th, 14th, 16th, 20th, 21st, 22nd and 27th April and 2nd, 8th and 26th June.

83. At the meeting on the 1st April 2020, the DoH advised that their areas of need were identified in their SITREP document. At this particular meeting references were made to shortages of gowns and masks. All avenues were being explored including, local, UK wide and China. They updated that modelling was determining what was needed, and when, but the position at that stage was a potential DoH order with the UK for 4 weeks of 30 days surge (4 months total). There were also discussions about exploring joint order with Dublin and the need for a linked up approach as to what was needed, the quantity, quality and avoiding duplication.

84. The meeting on the 15th April 2020 was scheduled on the request by Adam Price from Wales with the focus being PPE and sourcing and procuring internationally. It was discussed that opportunities in China were explored and there was a discussion about the Welsh and Northern Ireland experience. There were discussions about using a blend of locally and internationally produced goods to reduce supply chain risk. The meeting also referred to the former Director of the NI Bureau in China who had networks and contacts in China established during his former role.
85. As background, the Northern Ireland Bureau was established in September 2014 by the First and Deputy First Ministers to develop relations with China that would provide mutual benefits. The Bureau has both a diplomatic and a Representative Office in Beijing, promoting the Executive's priorities to China's central, provincial and municipal governments.

Procurement of PPE from abroad

86. As outlined previously, limited procurement was carried out by the Department, but advice and support were provided. The Department can also confirm that an order from China was the only contract for PPE from abroad and I will provide more details on this. The Department focussed on China specifically as it was the main manufacturer of PPE globally and the established Northern Ireland Bureau could assist with relationships already in place. The Department understands that other countries were considered by BSO PaLS who will be able to provide more detail however it was recognised that China could deliver the level of bulk order required.
87. However, it should be noted that the Executive Office (TEO) received gifted face masks (Type IIR) from the Chinese Embassy. These were forwarded to CPD who carried out an assessment and identified that they did not have a CE marking and so were therefore donated to the Department for Communities (DfC) to use as face coverings in homeless shelters (i.e. non-clinical settings). TEO will be able to provide more detail on the origin of the PPE and volumes donated.
88. In addition, between March and June 2020, in response to the Covid-19 pandemic and severely constrained supply chains, DoF worked with DoH to secure a

substantial order for Personal Protective Equipment (PPE) from China Resource. As outlined, Northern Ireland Bureau assisted with identifying this company. China Resources Pharmaceutical Group Limited (CR Pharmaceutical) is a leading integrated pharmaceutical company in China, one of the top three companies in the industry specialising in R&D, manufacturing, distribution, and retail of medicines and nutraceutical products.

89. The NI Bureau and Invest NI, as the Economic Development Agency for NI to support the growth of the local economy, in China identified this company from the list of companies approved by the Chinese government to export PPE. A due diligence exercise was also carried out on the company prior to committing to the order. This was carried out by Company F Samples of all products 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. In addition, the Republic of Ireland had received bulk supplies of PPE from this company.

90. This PPE order included over 63 million Type IIR masks; 39 million examination gloves (standard length) and 32.5 million examination gloves (long). CPD provided advice to DoH on the Direct Award Contract with China Resource which sets out the minimum order value at £60,313,800. The PPE was solely for use within the Health Sector. At that time, PPE pricing was volatile however the prices for the bulk order were within the range of the prices paid for other orders. The Award Notice permitted DoH to purchase up to £170m from China Resource and DoH were also securing other supply lines, therefore it was not necessary to enter into other similar contracts. [SS/72–INQ000507544, SS/73–INQ000507545]

91. The Department had no involvement in arranging for Northern Ireland to donate PPE to other countries however they did signpost senior officials from Hospitals in England to DoH BSO PaLS to discuss mutual aid.

Joint Procurement initiatives

92. During the pandemic, CPD, in order to support the Executive pursued and explored avenues to secure sustainable supplies of PPE. As part of this process, on 20 March 2020, CPD approached the Office of Government Procurement (OGP) in Dublin to explore the potential to collaborate on an order of PPE for supplies for Northern Ireland, as they had expressed an interest in a North/South joint order. On 27 March 2020, the Cabinet Office agreed that CPD should pursue this opportunity and officials forwarded details of the order requirements to their OGP counterparts. [SS/58–INQ000494729] The orders were being pursued by the RoI Industrial Development Authority (IDA) in China.
93. OGP confirmed over the weekend of 28/29 March 2020 that the situation in China had changed significantly and countries with larger buying power had started to secure orders from the same factories that the RoI contacts in China had been progressing. On Thursday 2 April, confirmation was received from OGP that the order would not be fulfilled through the route identified using their IDA contacts.
94. The Inquiry will note that no contract was entered into for the joint North/South order and therefore, no public money was spent.
95. Furthermore, on 2 April 2020, Minister Swann and Murphy wrote jointly to the Irish Government requesting a portion of a recent received consignment of items delivered into Dublin from China [SS/59–INQ000130078]. They outlined that this would be returned once the NI supplies had been received. However, on 6 April 2020, PPE had started to arrive in NI as a result of work between DoF and colleagues in London. Health colleagues will be able to provide more detail regarding these matters.

Domestic manufacture of PPE

96. As outlined previously, the Department set up the PPE Hub and this was divided into 2 areas, operational and strategic. The work of the Strategic strand was my responsibility as PPE Hub Grade 3, during my period of temporary promotion (March 2020 to July 2021). Staff from Invest NI, DoH and BSO PaLS were identified to work with the PPE Hub on each work stream. They identified opportunities for

manufacturers to shift their operations to the production of essential PPE clothing and other products e.g. face shields, sanitiser.

97. From the outset of the pandemic, there was an open call to all potential manufacturers by Ministers to participate in the Hub. Manufacturers had to make their own assessments on how they could pivot their operations to meet the PPE needs. Invest NI took the lead on this work and published a number of articles outlining how firms had re-purposed to help meet demand for PPE.
98. Invest NI assisted in identifying companies, and a number of companies came forward to offer help on their own initiative. The Department does not have the detail of this process however the Director of Advanced Manufacturing and Engineering was the point of contact for CPD. As outlined previously, DoF and BSO PaLS provided technical specifications and PaLS tested the supplies produced to ensure they met the clinical grade quality required. There were no guarantees of any contracts to any companies. CPD did not record any statistical data relating to the proportion of PPE from companies identified through the PPE Hub however they did record orders placed for the non-health sector. This included partial reporting from Health but DoH comprehensively recorded this separately through BSO PaLS.
99. DoF did not make finance available to support businesses to stimulate the manufacture of PPE. Rather financial assistance was made available to eligible factories to ensure continuity of businesses. This financial assistance was provided to businesses across NI generally to sustain their operation through Covid-19 restrictions. Aspects of this assistance was made available to manufacturers, as a sub-class of the wider class of eligible businesses entitled to support, as a result of being adversely affected by the pandemic. This was not targeted support provided with the stated objective of, for example, enhancing a company's ability to deliver PPE, but simply to mitigate the economic effects of Covid-19 and associated restrictions. The financial assistance provided by DoF was by way of business rate support, or via grant payments for businesses and administered by Land and Property Services (LPS). LPS administered these as business information was already held via the rating system database. The policy objective of the DoF schemes was to provide support to businesses and sectors in order to mitigate the

adverse economic effects of Covid-19 (and associated restrictions) on their ability to function as they otherwise would have in the absence of Covid-19 and said restrictions.

100. Factories would have benefitted from the wider NI scheme on non-domestic rates relief through the rates holidays scheme, however the objective of this scheme was not to stimulate the manufacture of PPE but rather to support the business. In total, over £135.3 million of financial support was provided to businesses that were either partially or wholly in the manufacturing industry to ensure continuity of business from a range of different financial support schemes. It should be noted that £24.9million of this was from the Department of Economy budget but DoF assisted with the administration of this.
101. Minister Murphy at that time visited companies to see repurposing/new manufacturing which was taking place in response to the constraints placed upon them. Specifically, on 10 April 2020, Minister Murphy along with the Health Minister attended Huhtamaki FS Delta, Belfast who were producing face shields for frontline health workers. In August 2020, the Finance Minister visited O'Neill's Sports Company who were one of the earliest examples of repurposing for the Health Trusts and produced scrub suits and then proceeded to make face coverings.
102. The Department did not have or develop specific policies or guidance regarding domestic manufacturing however, as outlined previously, a Procurement Policy Note (PPN) 03/21 Supply Chain Resilience recognises the experience of the pandemic which highlighted the fragile nature of supply chains in a global demand market and a need to improve the resilience of supply chains to provide security of supply. The PPN highlighted that a greater understanding of the length of supply chains will be essential to manage the risks of supply chain disruption to the delivery of essential public services and states that supply chains can be strengthened by developing sourcing strategies which are aimed at shortening supply chains and encouraging the use of alternative products which are manufactured/produced locally.
103. In relation to scrutiny of the direct award contracts made by DoH and BSO PaLS for manufacturing or any other contract, the Department would have no scrutiny role

in this regard. The role of the Department, as set out previously is to 'help the NI Executive secure the most appropriate and effective use of resources...' The help and assistance provided is through the budgeting process where funds are allocated and a range of shared services are made available to Departments to assist with procurement, legal services, IT etc. Once budgets are allocated, the accountability for spend and managing public money rests with the relevant Accounting Officer (Permanent Secretary) and Minister. DoF has no role in scrutinising operational matters within other departments.

Liaison with Department of Health (DoH)

104. Meetings between the Grade 3, Des Armstrong from DoF Construction and Procurement Delivery and the Sharon Gallagher, Grade 3 in DoH and Peter Wilson, Head of BSO PaLS was held on a very regular basis (most days) for the first few weeks of the pandemic when the order with China was being collated. The meetings were required to keep all parties updated on arrangements. These meetings were generally via phone calls which could last from 5 to 15 minutes and were to discuss and advise on any developments from the previous day/week or any actions which needed to be taken. Discussion was around key challenges included the logistics of getting supplies secured with China Resource, co-ordinating briefing for Ministers, the logistics of getting the supplies back to NI and the timescale for the delivery. These updates were exclusively in relation to the China Resource.
105. The key decisions to permit officials from DoF and DoH to work together to secure an order directly from China Resource were taken by Ministers. Due to the frequency of these meetings; actions were captured by the relevant person and followed up by emails. [~~SS/74–INQ000507546~~, ~~SS/75–INQ000507547~~]
106. The Department's officials were in regular, ongoing contact with the DoH finance team to discuss a range of funding issues as a result of COVID-19. DoH also responded to the formal exercises carried out by the DoF, where all Departments could identify additional funding requirements as a result of the pandemic. These formal exercises were in-year monitoring and budget exercises to enable departments to identify pressures or reduced requirements so that decisions could

be made by the Executive on allocations. DoF would not have been provided with details on DoH decision making regarding procurement and reports or lessons learned. It would have been for DoH to determine how budget allocations to the department should be prioritized and services/equipment procured.

107. Furthermore, you will note from the previous information provided that a proportionate business case is required for all spending proposals by departments which breach the delegated limit. As outlined, this must be submitted to DoF Supply for scrutiny and approval. This is a routine process and in place throughout the pandemic. The only exception was, where an intervention for COVID-19 was required urgently, an abbreviated business case template could be completed. This still followed the normal approvals process including DoF supply where the delegated limits were breached. For DoH, this included business cases sent to Supply for consideration which related to the procurement, storage and distribution of PPE and other key healthcare equipment and supplies. That is, BSO PaLS submitting a business case for temporary additional storage accommodation in 2020-21 for 9 months at £97.2k and this was approved by PSD on 29th April 2020. In addition, the Western Health and Social Care Trust submitted a business case for approval to lease and upgrade the essential fabric and statutory upgrades of a warehouse to store PPE. The costs were £140k capital, £95.6k accommodation costs, £419.8k staff costs from 1 May 2020 to 30 April 2022 and this business case was approved on 30th April 2020. PaLS BSO also submitted a business case for temporary additional storage accommodation for PPE in 2020-21 to 2022-23. This was sent to DoF PSD for approval as capital exceeded delegated limit. DoF PSD approval was provided on 20 August 2020.

108. In relation to overall funding allocations to the Department of Health for PPE, the Executive agreed to provide £236.3 million to the Department of Health in non-ringfenced Resource DEL during the period in question.

Internal Audit and Fraud

109. The Inquiry will wish to note that the Group Internal Audit and Fraud Investigation Service was rebranded in 2023 to NICS Internal Audit Services (IAS) however it

remains part of the Department but as a NI Civil Service shared service. They provide this service to the nine NICS Departments and 30 Arm's Length Bodies. Of these, the Department of Health is the only health related body covered.

110. The Internal Audit Services is an independent and objective function designed to add value and improve an organisation's operations and is not directed by the Permanent Secretary of DoF. They help organisations achieve their objectives by evaluating and making recommendations to improve the effectiveness of risk management, control and governance processes. They also add value by helping management make improvements through the provision of independent and objective advice and insight.

111. The services they provide include: assurance activity, where Internal audit objectively evaluates an organisation's effectiveness at identifying and managing risk and its management of governance processes and internal controls. It helps their customers manage risk effectively and improve public service delivery; Consulting Activity which gives organisations advice on how to improve their governance, risk management and control arrangements and how to develop them for new areas of work. They provide consultancy services on a wide range of business areas, but consultancy might typically focus on new systems, or areas undergoing significant change, where there is no system of risk management or control framework to assure; and Fraud and Whistleblowing Investigation Services. Fraud Investigation's primary function is to investigate fraud case referrals in accordance with legislation and procedures to establish if there is evidence of criminality, with a view to securing evidence before consultation with the PSNI. Whistleblowing Investigation's provide an independent and objective whistleblowing investigation service to Accounting Officers (AO) in the Department of Education and also the Department for Communities as well as an ad hoc service to other AOs across the NICS.

112. The NICS IAS staff are employed by the Department but are outsourced to the nine Departments. The Group Head line manager for HR purposes is the Department of Finance Permanent Secretary. The Group Head reports to all Permanent Secretaries (PS)/relevant Accounting Officers (AO) on relevant matters. The work of the NICS IAS is agreed with the relevant PS/AO and the associated

Audit and risk committee (ARAC). Each Department / Organisation is allocated a Head of Internal Audit (G7) who reports to the PS/AO and the respective ARAC.

113. The leadership structure during the pandemic was Group Head (Grade 5), and eight Grade 7 (HIAs) and one Grade 7. The Group Head was Michelle Anderson during the pandemic and she was in place until May 2022. The current Group Head is Tracey McCavigan.
114. It should be noted that the work, including the reports and other outputs of the Internal Audit unit belong to the relevant Department to whom they are providing audit services.
115. There was no general guidance issued regarding anti-fraud measures relating to procurement activities by the Group Service during the pandemic. It is noted that NI Audit Office issued guidance on Covid-19 Fraud Risks in August 2020. NI Audit Office has an established circulation list for their guidance which includes relevant representatives from all Departments and on that basis, no further action was required by DoF in highlighting this guidance. The Group Service would have made reference to this guidance within any consultancy provided during the period.
[SS/60–INQ000494731]
116. At a strategic level, Internal Audit did not issue any support, guidance or training across the NICS. However, each individual department would have sought advice/consultancy on their specific needs during the pandemic and IAS would have provided a bespoke response to this request. It will be a matter for each individual Department to provide this detail to the Inquiry, as required.
117. In terms of DoF, no consultancy in relation to procurement issues was provided or sought. This was not requested by CPD and IAS did not have a role in the PPE Hub as advice and consultancy is provided on a request basis. DoF did not require this consultancy support for running the PPE Hub as the Supplies and Services Division redirected a team from their internal resource of professionally qualified procurement staff to carry out the work. The Contract with the Chinese Manufacturer was led by the DOF PPE Hub (G3 level) and the Director of BSO PaLS. Due

diligence was carried out in relation to the Chinese manufacturer and prices were benchmarked to ensure they aligned with the range of prices available at that time. On that basis, no procurement risks were identified to warrant a request for Internal Audit consultancy.

118. IAS can also confirm that there were no fraud investigations carried out by the NICS Internal Audit Services during the pandemic. Specifically, no fraud investigations were carried out in respect of the procurement of PPE, ventilators, PCR and LFD tests and other key medical equipment and supplies during the pandemic. Therefore, no referrals were made about any contractors or sub-contractors to the Police or prosecution authorities. However, we cannot confirm if any organisation completed their own investigations and/or reported any contractors to the Police etc.
119. The Department's Accountability and Financial Management Division (AFMD) also has a role to provide advice and guidance to departments and their sponsored bodies on accounting, accountability, corporate governance, anti-fraud policy, financial skills and tax compliance; oversee the Public Audit process; manage the NI Consolidated Fund and maintain appropriate banking arrangements across the NICS.
120. AFMD chair a NICS Fraud Forum, which has been in existence since 2007, meeting twice a year and was established as a Best Practice Liaison Forum. The forum has representatives from all Departments and NIAO. Whilst AFMD did not issue any formal guidance or correspondence, they did highlight and circulated Cabinet Office guidance at their meeting in October 2020. This was the only meeting when pandemic guidance was discussed. [***SS/76–INQ000507548, SS/76a–INQ000507549, SS/76b–INQ000507550, SS/76c–INQ000507551, SS/76d–INQ000507552, SS/76e–INQ000507553***]
121. The Department was also represented at the Cabinet Office Devolved Administrations Fraud working group meetings which discussed PPE. This was established for a short period and was closed as supply moved towards

normalisation. The Department attended meetings on 27 May, 11 June and 16 July 2020.

Lessons Learned

122. The Department did not carry out a formal or external review of lessons learned however CPD did collate a list of the lessons learned to document where the processes and/or should be amended for the purposes of continuous improvements. [SS/61–INQ000494732]

123. This list includes 15 suggested improvements in relation to triaging suppliers, avoiding duplication, identifying potential substandard products and streamlining the payment processes. No major weaknesses were identified by CPD and actions were taken to implement the necessary improvements to improve the operation of the Hub. Some lessons related to dealing with any future events and these actions will be taken forward. Capturing these lessons learned during the process was a valuable exercise. There were no major failings identified in the approach taken by DoF and therefore a further formal or external review was not deemed necessary.

124. The Inquiry will also be aware of the NI Audit Office report, published Tuesday 1st March 2022 by the Comptroller and Auditor General, which highlighted the challenges faced by the health and social care sector in sourcing and securing adequate PPE in response to the Covid-19 pandemic. However, there are no lessons to learn for DoF contained in this report and the Department has taken no further action in relation to the details provided in this report. As previously outlined, MPMNI sets out the guidance in relation to payments to suppliers and details regarding pricing. The Department relies on this guidance and conditions attached to any approval of spend.

125. The Department is aware that DoH is taking forward work to develop the future pandemic and epidemic resilience of its Health and Social Care sector and this work includes consideration of future equipment and PPE needs. It is not anticipated that DoH will require DoF assistance in any future pandemic or epidemic responses.

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: 22 October 2024