



**TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
QUAIYL TINVAAL**

PROCEEDINGS

DAALTYN

(HANSARD)

**STANDING COMMITTEE OF TYNWALD
ON PUBLIC ACCOUNTS**

FORWARD PURCHASE OF EUROS

**BING VEAYN TINVAAL MYCHIONE COONTYSSYN THEAYAGH
KIONNAGHEY OARAGHYN RO-LAUE**

Douglas, Monday, 24th August 2009

Members Present:

Chairman: Mrs C M Christian, MLC
Vice-Chairman: Mr Q B Gill, MHK
Mr D M W Butt, MLC
Mr G D Cregeen, MHK
Mr J P Watterson, MHK

Clerk:

Mr R Phillips, Clerk of Tynwald

Apologies:

Mr R W Henderson, MHK

Business transacted

	<i>Page</i>
Procedural	51
Evidence of Ms C Davies, Senior Accountant, Treasury	51

The Committee sat in private at 2.58 p.m.

Standing Committee of Tynwald on Public Accounts

Forward Purchase of Euros

*The Committee sat in public at 2.15 p.m.
in the Millennium Room,
Legislative Buildings, Douglas*

[MRS CHRISTIAN *in the Chair*]

Procedural

The Chairman (Mrs Christian): Good afternoon, everybody. Welcome to this meeting of the Public Accounts Committee. We are sitting today to hear evidence in public session in respect of the RESA project and the purchase of euros.

The Committee was established in 1983 and our remit has been amended several times over the years, but in brief it is to examine the expenditure of Government funds and to scrutinise the efficiency and effectiveness of the implementation of Government policy.

I would like to introduce you: I do not know whether there is anybody here who does not know my colleagues on the Committee: Mr Gill MHK is the Vice-Chairman; Mr Butt MLC; Mr Cregeen MHK; Mr Watterson MHK; our Clerk today is the Clerk of Tynwald, Mr Phillips; and we have apologies from Mr Henderson, who is away at present and is unable to join us.

Can I ask everybody please to switch off their mobile phones if they have not already done so. Please do not just silence them, because that means they still interfere with the recording.

The issue, as I say, is the Runway Extension Scheme and we want to call today our first and only witness of the day, Ms Carol Davies, Senior Accountant in the Treasury, to give us her evidence.

EVIDENCE OF MS CAROL DAVIES

The Chairman: Good afternoon, Ms Davies, and thank you for attending today. Could you please commence for us by stating your name, your role and responsibilities in the Treasury, please.

Ms Davies: I have prepared a brief statement. I will just read from that, if I may.

I am the Senior Accountant of Finance Division of Treasury. My role includes the provision of senior management support to the accounts, payroll, HRFS and investments sections of the Division.

In respect of the purchase of euros for the RESA project, it would have been my responsibility to co-ordinate the purchase of the euros when written instructions were received. It would also fall within my responsibility to ensure that foreign payments to the supplier were made in a timely

fashion on receipt of an authorised payment instruction from the Department.

I had been aware that there would be a likely need to purchase euros, from various informal discussions I had with the Capital Projects Co-ordinator. As these were informal discussions – by this I mean not pre-arranged meetings – I cannot be certain about the precise dates.

During these conversations, I confirmed that I was the correct contact within Finance Division to arrange the purchase of euros. I provided general advice on currency hedging and the options available. I explained that, if we were to enter into forward currency contracts, there would need to be absolute certainty of the amounts and timing. Finally, I also confirmed that Finance Division routinely make foreign payments for the whole of Government, so that when the time came to make the payments I would be able to facilitate these also.

The information I would require to approach the market to purchase the euros would be the amount required and an indication of timing. None of the conversations with the Capital Projects Co-ordinator resulted in a written instruction until 22nd September 2008 when an e-mail detailing amounts and the expected timing of the payments was sent from the Financial Controller to the Chief Accountant, copied to myself, Carol Davies, and Alan Blain.

On 5th December 2008, the Chief Accountant asked me to provide him with some indicative quotations. These were submitted to him on 9th December 2008. On 24th December 2008, the Chief Accountant sent me an e-mail advising that he wanted to proceed with the purchase. I sought confirmation from the Financial Controller on the precise amounts and then live quotations were sought from four banks on the next working day, 29th December 2008, and the requested euros were purchased on that same day.

Thank you, Chairman.

The Chairman: Thank you very much for that introductory statement, in which you have given us a history, really, of your involvement in the issue.

Can I start by asking you – and you have outlined some of these answers – you were aware in general terms of the need for purchase of euros on the RESA Scheme. Do you follow the financial votes through Tynwald in any respect?

Ms Davies: We do not, no.

The Chairman: You do not, and you would not necessarily have been aware that the vote for that particular project had changed in the early part of that year because of the deteriorating exchange rate vis-à-vis the euro?

Ms Davies: That was information that I have learnt subsequent to that. Certainly I would not have been aware of it at the time, no; that is correct.

The Chairman: So you would not have had any involvement at that stage?

Ms Davies: No, not at all.

The Chairman: Did you have any communication in a formal sense with Alan Blain, the Capital Projects Unit Director, in respect of the need for the purchase of euros?

Ms Davies: As I have outlined in my statement, there

Procedural

were informal discussions, not pre-arranged meetings. There was no formal communication at all on the purchase of the euros. There was an e-mail sent, I think on 4th August, to me, which was for information, just saying that things were progressing, but no real information that you need to purchase the euros came from Alan Blain.

Mr Butt: Can I just clarify, Chairman?

The Chairman: Yes.

Mr Butt: You said about informal conversations with the Capital Projects Co-ordinator.

Ms Davies: That is correct.

Mr Butt: Just to clarify, that is Alan Blain you are referring to?

Ms Davies: Sorry, yes, I beg your pardon, yes, it is.

Mr Butt: Thank you. Sorry, Chairman.

The Chairman: Given that he had given you this information, why do you think he was giving you the information and it was not a specific instruction?

Ms Davies: It is quite normal to be notified in advance of a requirement for the need for funds, and essentially that was what I took this as: it was a notification of an event that was likely to occur. I understood it was really the Department of Transport who would be giving the formal instructions and he was just giving me a heads-up.

The Chairman: Did you have an idea of the quantum?

Ms Davies: At the time, I feel as though there would have been a ball-park figure mentioned, just because I was not concerned about the cash flow elements with it, i.e. I did not have a concern that we would not be able to meet the liability; but if it was, it was a ball-park figure only. It was certainly information I would be able to approach the market with.

The Chairman: Would €13 million be a normal amount that you could deal with in cash flow terms, fairly straightforwardly?

Ms Davies: It would be very straightforward. It tends to be much larger amounts where we feel we have to make special arrangements in terms of cash flow requirements. Thirteen million would not trigger an alarm bell in providing the sterling equivalent.

The Chairman: Thank you.
Mr Watterson.

Mr Watterson: Could I just start by clarifying your job role. You say in your statement you are the Senior Accountant. Is that the job role which you were hired to, if you will pardon the expression?

Ms Davies: That's alright.

Mr Watterson: The reason I ask is that we have been

provided with job specifications for you and Simon Clague, and I was just wondering how it ties in with the one we have got here for Investment and Banking Manager. Has your role grown out of that role into a new role? Is that not necessarily your job description?

Ms Davies: My job title is Senior Accountant. I think when I was first employed in 2005, it would have been Investment and Banking Manager. My role substantially changed, I would estimate in April 2007, in terms of having more accounting-related type functions added to it.

Mr Watterson: So your job description has been updated, perhaps, since this one has –

Ms Davies: I would say the latest update would be... the main change would probably have happened in 2007, when I took on much more accounting responsibilities. I also took on another Department, as well, to manage.

Mr Watterson: Within this... I am just wondering – you may know – whether this is something that follows on from that job into your present one. It has got here 'the provision of a foreign currency advice service to Government'. Would you still consider that materially part of your role?

Ms Davies: That is not on my current job description.

Mr Watterson: It is not?

Ms Davies: No, it is not. However, as I outlined in my opening statement, when Alan Blain, the Capital Projects Unit Co-ordinator, came to me for advice, I did provide the advice, and although it is not the main activity I would consider that it was one of the activities that I still undertake.

Mr Watterson: And then, in terms of your perception, you were waiting for dates and amounts, a very specific instruction. Who, in your opinion, would be responsible for co-ordinating that, in terms of how the process should have worked?

Ms Davies: There would be the two parties: if you imagine, the information and the expertise I would bring to the table would be the banking contacts, and then the other side would be normally the DoT. They would have knowledge of the contract, the details of the amounts and the timing. So it would be between these two parties having a discussion that... It is between these two parties which the agreement would be reached.

I would not have had knowledge of the contractual arrangements, the amounts and the timing. The DoT would not have had any details of the banking contacts.

Mr Watterson: So you would suggest that it was actually the responsibility of the Department of Transport to be the proactive element in this and provide all the information and drive forward the need for the cash, and for Treasury to respond to that?

Ms Davies: Normally, I think that would be the case, and certainly I felt if you actually... subsequently, I found out about the Treasury paper in probably January this year, but certainly the actual Treasury paper that went was saying that

there would be two parties – Treasury and the DoT – that would be the normal course of events.

I have subsequently learnt that there was some assurance given to the DoT that someone within Treasury would take responsibility for that, but normally it would be the Department. They would find out about the contractual arrangements first, and then they would approach me in that instance.

Mr Watterson: So are you not aware of who gave that undertaking as to who would drive that process?

Ms Davies: I am not at all, no. I do not know who gave the undertaking.

Mr Watterson: Inasmuch as Mr Braidwood, when he appeared before us, stated the transactions would be carried out by Treasury, the information which would be relayed would be down to the Chief Accountant and then on to yourself. But the first that you would have been aware was the e-mail of 22nd September.

Ms Davies: We normally... As I explained, we do –

Mr Watterson: In terms of having sufficient information.

Ms Davies: Yes. We do carry out foreign exchange transactions on behalf of the whole of Government. Normally, the request comes in from the Department.

The Chairman: Mr Cregeen.

Mr Cregeen: So you were waiting for written confirmation for these euros to be purchased. Did you consider the instruction on 22nd September as that instruction to go ahead?

Ms Davies: I thought the information contained sufficient information with which we could approach the market, in terms of it had the amounts and the timing, that you could obtain indicative quotations. Yes, I did.

Mr Cregeen: So did you then go to the markets in September to carry out the instructions?

Ms Davies: The actual instruction was sent to the Chief Accountant at that time. He had had a previous earlier conversation with the Financial Controller and he wanted to discuss the matter further. He required some clarification on the issue and he said not to do that at this time. That did not happen until 9th December – no, I beg your pardon, 5th December, and it was on 9th December I obtained the indicative quotations.

The Chairman: Could you just repeat that? Sorry, Mr Cregeen. You said you were told not to do something at that time.

Ms Davies: I asked the Chief Accountant –

The Chairman: Mr...?

Ms Davies: – sorry, that would be Mr Simon Clague – if he wanted me to obtain indicative quotes and he said no, he

wanted to gain greater clarification on the information at that time. I have to say I do not think that was unreasonable at the time. It is quite a material amount. They had had a conversation and an e-mail and you can understand if he did want to gain greater clarification. It is not unreasonable.

Mr Cregeen: Did you not consider that from September to December was an awful long time to get back to you to request that further information?

Ms Davies: I think that was unreasonable, the length of time.

The Chairman: Mr Butt.

Mr Butt: Mr Cregeen mentioned the written instruction. Your statement to us at the beginning said you had no written instruction until 22nd September. Did you view that e-mail as a written instruction or just information that was being provided?

Ms Davies: I thought it was an instruction to do something to obtain – I cannot recall the precise wording – the options available to us and I took that as, rather than to purchase the euros at that time, to actually provide the options available to the Financial Controller. But one of the ways of doing that would have been to obtain indicative quotes so that he would be able to see the options available.

Mr Butt: Thank you.

The Chairman: Mr Watterson.

Mr Watterson: So, in response to that e-mail of 22nd September then, what outputs did you deliver from that in terms of... you were asked to talk about the options and issues. Was it just a conversation, or did you feel that you needed to produce an issues and options paper for somebody further up the chain?

Ms Davies: No. What I thought would be the appropriate way to deal with the e-mail would be to obtain some indicative quotes and then provide those examples.

Mr Watterson: Did you do that at the time?

Ms Davies: No. The Chief Accountant asked me not to do that, obviously, not to approach the market to obtain the indicative quotes. He wanted to clarify some issues.

Mr Watterson: So you felt at that point it had been taken back out of your hands again?

Ms Davies: He did not want me to proceed at that time.

Mr Watterson: Can I ask just another question: are you a member of the Treasury senior management team? When they get together and have their senior management team chats, would you be present for those?

Ms Davies: No.

Mr Watterson: Finally, do you monitor foreign exchange trends as part of your role?

Ms Davies: No, we do not, actually. We are not really... We must not speculate. We have had a very clear instruction from the Attorney General's office that we should not pick our times of when we enter into contracts at all and try and obtain the best rate. Our role is not to speculate.

Mr Watterson: But there are two ways of not speculating, aren't there? There is the forward contract and there is the buying on the spot rate as soon as you know the amount you need. Would you consider either of those would be speculative?

Ms Davies: We do not monitor effects trends at all as part of our role.

Mr Watterson: The question I asked was that both buying on the spot market... If I know I need £45 million on 1st January next year, I can buy it today or I can buy the forward contract to have the cash delivered on 1st January. Neither of those two methods are speculative, are they?

Ms Davies: That is correct, neither are seen to be speculative. That would be how we would hedge the forward purchase, by either buying now or buying a forward contract to buy at some point in the future.

Mr Watterson: And was that assessment done of spot market versus forward contract?

Ms Davies: When we obtained quotations from the bank, we asked them to provide... We are always aware of what today's rates are. We are *always* aware of what today's rates are – our system gives us that information – but we would have had to ask the bank for the forward rates for the forward contracts.

Mr Watterson: And were those obtained?

Ms Davies: Yes, they were on the day, both for indicative and for the live quotations, and then we had to... well, I chose between which would be the best option on the day.

Mr Watterson: So you made a very conscious decision, then, to buy on the spot market for the full future needs, rather than buy forward contracts for the relevant amounts for staged payments.

Ms Davies: One of the e-mails I had had from the Financial Controller – that would be Clive McGreal – had said that there may be a need to make accelerated payments. As soon as you then have less certainty on timing, that favours you buying now. If you have obviously bought into a contract for four months hence and you need to then make accelerated payments at some point earlier, then you will not effectively have hedged the currency.

So I had that knowledge in the back of my mind when I was making my decision, but also I wanted to see the margin, between what the margin was on the forward contracts and what the margin was on the buying now and holding option, and there was very little difference between the two. Therefore, given the extra flexibility that we would then have if there was a need to make accelerated payments, I chose to buy the full amount of euros now and hold them.

Mr Butt: Could I just do one...

The Chairman: Yes.

Mr Butt: You said the Attorney General had given Treasury advice that they were not allowed to speculate or pick and choose when they made these investments. What caused that advice to be given?

Ms Davies: It was not in relation to hedging, strangely enough. I think it was in relation to some transaction about the Isle of Man Film and the nature of those transactions, but we have had very clear advice that our role is not to speculate and I think that is correct.

Mr Watterson: Just to add on that, would you consider that consistent advice across the public sector, not just in this jurisdiction but in others?

Ms Davies: I would not be able to comment on other jurisdictions. It seems like a reasonable thing, yes.

The Chairman: Mr Gill.

Mr Gill: You and your colleagues who have given evidence have all used phrases like, 'I thought this meant...' or 'I understood it...' or 'I wasn't certain'. Is what you are all describing to us typical of the poor communication between senior officers, in your experience?

Ms Davies: I think that is one of the reasons in Finance Division that we do specify that there must be a written instruction. Almost from the April to September there is less clarity because there is no proper instruction. From 22nd September onwards there is a proper audit trail and there is proper information given.

That is why you would hope... You want to be able to give advice informally when required, but I think it is a good practice that we rely on written instructions, certainly when cash transactions are involved.

Mr Gill: But that does not answer the question, with respect. This is a catalogue of poor communication, or poor understanding certainly. Is that fairly typical, or is this an untypical case?

Ms Davies: I would say this is untypical. Normally, we routinely make many foreign currency purchases. We make many types of payments. This was an unusual transaction, inasmuch as there was a hedging element involved, but our normal course of business proceeds.

Mr Gill: And is there a clear template for projects – particularly one where you are purchasing foreign currency – that is laid out so that everybody knows their responsibility?

Ms Davies: I am not familiar with the Capital Projects Unit guidelines. They are within a different Division of Treasury. I –

The Chairman: Can I come back to... Sorry, did you want to add something?

Ms Davies: I was going to say I am in Finance Division. There are clear guidelines within Finance Division on how

we make cash transactions and how we make payments.

The Chairman: Coming back to the timeframe, from April to September you indicate that there was conversation about the issues and that you were aware that there was going to be a need for euros. Then there was the actual timeframe within which euros would be needed, which you became aware of, followed then by the instruction to consider options, which you have given us your interpretation of and which you have indicated that you were asked not to pursue by the Chief Accountant.

We then seem to have no action at all until November, when Mr Blain copied you into an e-mail – I think it was an e-mail – reminding yourself, Mr Clague and Jonathan Latimer at DoT that the day was getting closer when euros would be required. Did that prompt any feeling within yourself to pursue the question of the options again with your senior officer, or did you feel that was just given to you for information for the senior officer to take action on?

Ms Davies: There had been several conversations between myself and the Chief Accountant during the period on whether he wanted me to act at this time.

The Chairman: So there had not been a silence between September and then, no?

Ms Davies: No, there had not. We have weekly – sometimes fortnightly, depending on workflows – meetings, and it was mentioned between the two of us and he always indicated that he did not want me to pursue the matter at this time.

The Chairman: Do you know why?

Ms Davies: I think he wanted further clarification from the Financial Controller. That was what he had indicated to me.

The Chairman: From the Financial Controller – that was Mr McGreal?

Ms Davies: Mr McGreal, yes.

The Chairman: Can I ask you, then... You say you are not allowed to speculate but you do know what the daily rates are. At any point did you become concerned, knowing that there was a need for euros, about any changing rates?

Ms Davies: The week before we actually purchased the euros, I had a conversation with the Chief Accountant and advised that I did not think it was the right time, because the rates were falling so dramatically, and he said that there was no certainty about what was going to happen with the rates. I was speculating, really, then that the rate was going to recover and I had no clear... Nobody would know if the rate was going to continue to fall, so he was correct in that statement, inasmuch as I was speculating, but I was very concerned and I felt as though we were effectively buying when the market was falling very heavily. I think the conversation was that we would be realising a loss at this point if we do purchase the euros at this time.

The Chairman: Thank you.

Mr Gill.

Mr Gill: I am sorry if this is simplistic, but why don't, as a matter of policy or good practice... and as a practitioner I am asking you this, not as a policymaker, but is it not feasible to just maintain a working reserve fund in an often-used foreign currency, in euros?

Ms Davies: We tend to buy as required and then the Department receives the transaction rate on the day. So if the Department of Education has a need for currency, we will buy that for them on the day and they would then usually pay the foreign currency invoice on that same day. It is many currencies we deal with, not just euros. We can deal with Singapore dollars, US dollars. There can be a wide variety of currency for them and the way they are translated into sterling equivalent in the accounts is the prevailing rate on the day, so the rate that we received on the day.

Mr Gill: I understand that is what happens, but the question is would it not be an option – and in this case, a least expensive option – to maintain... You know that we are going to require euros for all sorts of reasons, so we just have a running reserve fund that we buy as and when it is advantageous. In practice terms, would that be feasible or manageable to do that?

Ms Davies: I appreciate this has gone badly wrong, but we tend to buy them as they are required at the time.

Mr Gill: But thinking to apply lessons to learn, so we do not do things badly wrong again, is it feasible to actually have a reserve account in a foreign currency?

Ms Davies: I think that would lead to translation difficulties. You can imagine, if you had a fund of euros that were purchased at a given rate, then you had to top up that at a new rate, it then becomes difficult in terms of what you would charge the Department for the sterling equivalent. Potentially you could have three lots of currency bought at three rates. By and large, we match the purchase to the liability.

Mr Gill: Even when you see it go, as you say, badly wrong, is it... That is an internal accounting issue that is preventing it, rather than anything else. Is that right?

Ms Davies: I think it is that the rate that is charged within the accounts is the prevailing rate at the time.

The Chairman: Mr Watterson.

Mr Watterson: Do you consider that either yourself or Treasury generally had clearly advised the Capital Projects Unit and the Department of Transport for the need for a written instruction for amounts and dates for the purchase of euros?

Ms Davies: When you say 'Treasury', I am not clear who you mean. Certainly in my conversations with the Capital Projects Unit Co-ordinator, Alan Blain, I had asked him... I had made it clear if we were looking at forward contracts I would need absolute certainty of the timings and amounts. I had asked Alan Blain during one of the conversations would it be him who would be providing the instructions and he had

said it definitely was not him. I think there was a knowledge that certainly what I would need to proceed would be some written instruction.

In terms of general Treasury, I...

Mr Watterson: But for your own part, you felt that there was a pretty clear instruction, certainly with Alan Blain, that there must be a case of dates and amounts required.

Ms Davies: Yes.

Mr Watterson: Did you have any direct conversations with the Department of Transport along a similar line?

Ms Davies: No, I did not. It is not unusual for you to be notified of a need for something and for the actual contractual details to be resolved at some point in the future. That is not an unusual event. Normally, what would happen is the Department would then go and finalise their arrangements and get that sort of information, and then they would approach us only, really, when they had that information at that time. It is quite normal that there can be quite some considerable time between the initial notification heads-up and the actual instruction. That is not unusual.

Mr Watterson: I appreciate that, but I would imagine there must be a degree of certainty. If they have come to Tynwald for an exact amount of money, they must know exactly how much it is going to cost, at that stage. Earlier in the year, it is a case then of were the Department of Transport fully aware that they needed to provide a clear instruction to Treasury in terms of a date or an amount and a purchase instruction to come from the Department of Transport into your Division?

Ms Davies: In terms of the Tynwald... I was not particularly aware of what was going through Tynwald and I also was not even aware of the Treasury paper, so I think I am not certain whose Treasury paper that was. It did not come from within Finance Division, so the communication would have come from whoever had prepared that paper – it was not my area.

Mr Watterson: So you had no direct conversations with the Department of Transport.

Ms Davies: That is absolutely correct, I did not, no.

Mr Watterson: Thank you.

The Chairman: Can I ask you, then... You got to December, when Mr Clague asked you for indicative quotes from a number of banks and you provided those, according to your statement or our records, on 9th December, so that took you four days.

Ms Davies: Sorry, I think it was two working days.

The Chairman: Two working days; that is fine. What, then, did you expect to happen? Were you conscious of a change in the euro rate at that time?

Ms Davies: I think I was. As I indicated earlier, up to a week before, I was aware that the rates were falling.

The Chairman: But then you got no further instruction in respect of this, until about, I think, the 19th, is that right?

Ms Davies: No, it was on 24th December.

The Chairman: The 24th. Were you not concerned, between the 9th and the 24th, given the changing rates?

Ms Davies: I was, yes.

The Chairman: Did you speak with anybody about it?

Ms Davies: I had discussed a week before, prior to the actual instruction to purchase, that I wondered if this was the right time to be purchasing euros, as we would effectively be realising a loss at this time. So I was concerned, but then obviously the Chief Accountant did point out to me that I was speculating at that point. There was no certainty that the rate would recover at that point.

Mr Butt: And that was Clive McGreal?

Ms Davies: No, that was the Chief Accountant, Simon Clague.

Mr Butt: Thank you.

The Chairman: Thank you.
Mr Cregeen.

Mr Cregeen: Did you consider a knee-jerk reaction, come December, after the initial September and the euro rate had fallen, that all of a sudden the pressure is on there to go and get it and then it just sits around for a little while before the purchase? It is like cutting your losses.

Do you know that you have lost a lot of money? Would you say that in future what you should be doing is purchasing at the time that it comes to you, rather than... It was speculation. In the end, the Chief Accountant actually speculated from September to December, hoping that it was going to do something but probably did not keep you in the loop.

Ms Davies: I do not believe the Chief Accountant was speculating during that period of time. I do not believe he was. Whether it was a knee-jerk reaction or not, in December I think it would be fair to say that nobody knew if the euro rate was going to continue to fall and obviously subsequently we have learnt that it has since recovered, but in December I do not think the Chief Accountant would have been aware of... Nobody could have known what was going to happen to the rate.

Mr Cregeen: Are you aware that if the Chief Accountant got the information that he required, that he said he was going to ask for from September through to December, did he tell you that he had got the exact information that he needed to purchase these euros?

Ms Davies: I am sorry, could you just clarify the question?

Mr Cregeen: When you said in September he requested you not to move on this because he wanted to get some

more information, in December, when he decided to move, did he tell you he had gathered all the information that he needed?

Ms Davies: I received an instruction from him that he wanted to proceed with the purchase, so I am assuming that, at that point, he was content, that he was satisfied with the information he had received.

Mr Cregeen: So you were not aware that he had got the information, or...

Ms Davies: No, I was only aware that he had sent me an instruction to proceed with the purchase.

Mr Cregeen: Thank you.

Ms Davies: Thank you.

The Chairman: Are there any further questions? Mr Gill.

Mr Gill: How long have you personally served in Treasury?

Ms Davies: I joined the Treasury in January 2005, so that would be four years, eight months now.

Mr Gill: Since your time in Treasury, has there been a review of the fit-for-purpose structure and responsibilities of the various senior officers?

Ms Davies: Not that I am aware of, no. My role changed in 2007 in terms of more accounting-type functions being added, but with regard to other officers within Treasury, I would not have a –

Mr Gill: But you are not aware of a review?

Ms Davies: No, I am not.

Mr Gill: Bearing in mind the Treasury Minister has told us how pressured everybody in Treasury is and how long they are working, and we respect that, would you, from your perspective, think that there is any merit in actually reviewing Treasury's structure and responsibilities?

Ms Davies: I do not know the answer to that question, I am afraid.

Mr Gill: Have you any experience within Treasury, or within Treasury and the relevant Departments, of the lessons that need to be applied from this experience and any other things that happen? Not everything always happens the way we want it, we understand, but actually learning those lessons and applying them – are you aware of any practice of that?

Ms Davies: I think one of the positive outcomes that has come out of this is that we now have a currency hedging practice note. I would have thought that was very useful. When Alan Blain, the Capital Projects Co-ordinator, first approached me, if I had had that practice note – because there is a lot of information there for someone to assimilate – if I had had a document that I could then e-mail to him

separately, and then he had time to consider all the points that were raised in his own time, I think that is one of the positive outcomes that have come from this.

I think another, although I am not quite sure it has been implemented yet, is that there has been updating of the financial regulations as well, just providing advice for people when they have a large foreign currency transaction.

Mr Gill: Lastly, is it fair to assume that Treasury are the relevant and expert party when it comes to any capital project requiring foreign currency purchase, or would you expect the Departments to have that expertise?

Ms Davies: I would expect the Departments to have knowledge of the contract or the Capital Projects Unit. It is whoever has the knowledge of the contract who we would need to deal with. We would provide the banking contacts in order to effect the hedging, but we would need either the Department or the Capital Projects Unit – whoever had knowledge of that contract – to provide us with the information that we needed to effect the transaction.

Mr Gill: Thank you.

The Chairman: Mr Butt.

Mr Butt: You said that between 22nd September and December, when the final instruction to place was given, you had weekly or fortnightly meetings to discuss matters generally. I just wondered how high in your consciousness, or your colleague's consciousness, was the issue of these euros. Was it discussed every time? Was it the main point...? How far did that figure in your conversations?

Ms Davies: No, there can be a list of about 20 items, I would say, on those, and it was really just that it was in both of our consciousness that he was still progressing the matter with the Financial Controller. It was not ever a whole meeting, that we would spend a whole session discussing it; it was just that I was wanting to check in and make an awareness that we still had not done anything yet and he was still aware of the same viewpoint.

Mr Butt: So is it fair to say that it was not actually forgotten about, but just...

Ms Davies: It was not forgotten about, but certainly at the time in question there were an awful lot of things that we were also discussing as well.

The Chairman: Mr Cregeen.

Mr Cregeen: Just on the foreign currency, would you have considered this a large foreign currency transaction for your unit?

Ms Davies: Yes, it is a large sum; it is a material amount, yes.

The Chairman: Starting at that side, do you want to ask any questions?

The Clerk: No thank you, Chairman.

Mr Gill: Just one, please, Chairman.

Who is the political Member with responsibility for the Finance Division?

Ms Davies: I believe that is Mr Braidwood.

Mr Gill: So, during all this period, would he be, as a matter of good practice, kept up to speed, kept in the loop on considerations and issues? Certainly at the September point, where you felt you were given an instruction, then you were given a counter instruction, would somebody keep the political Member aware of that?

Ms Davies: No. Although it is a material amount, in actual fact, it is a routine transaction in terms of... we actually purchase currency on a weekly basis, so no, we would not have... Well, I certainly would not have notified the political Member of that at that time.

Mr Gill: That is the culture in Treasury, is it, from your experience?

Ms Davies: In terms of the operational day-to-day work, which ultimately this was, albeit a material amount, we do not. I think there would be just too much, really, to involve the political Members at that point.

The Chairman: Thank you. I think we have exhausted the Committee's questions now. Is there anything that you want to add by way of a final statement?

Ms Davies: No, thank you.

The Chairman: Thank you for coming today and giving us your evidence. That concludes our public session and the Committee will now meet in private. Thank you.

Ms Davies: Thank you, Chairman.

The Committee sat in private at 2.58 p.m.