



Grant Thornton

INTENSIVE START UP SERVICE AND PREDECESSOR

SUBJECT TO AN EXEMPTION UNDER SECTION 30 OF THE
FREEDOM OF INFORMATION ACT

dated 2 May 2014

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1 INTRODUCTION

INSTRUCTIONS

- 1.1 Grant Thornton UK LLP have been instructed by Wirral Borough Council (WBC) to undertake the work set out in WBC's request for a quotation, dated 5 October 2012 (the RFQ). The RFQ refers to a contract issued by WBC for the:

"provision of assessment and advice services in relation to the award of Business Investment Grants (BIG) and the Council's Intensive Start Up Service (ISUS)".

- 1.2 In reviewing BIG and ISUS we have established that while these were both associated with a sub-contractor called Enterprise Solutions (NW) Ltd (Enterprise Solutions), WBC issued separate contracts to Enterprise Solutions in relation to the BIG and ISUS programmes. This report does not address the BIG programme as that is the subject of a separate report which we have submitted to WBC.
- 1.3 We have discussed the background and approach to our work in Section 2 and this section also describes the structure of this report.
- 1.4 If further information is produced and brought to our attention after service of this report, we reserve the right to revise our opinions as appropriate.
- 1.5 This work does not constitute an audit performed in accordance with Auditing Standards.
- 1.6 Except to the extent set out in this report, we have relied upon the documents and information provided to us as being accurate and genuine. To the extent that any statements we have relied upon are not established as accurate, it may be necessary to review our conclusions.
- 1.7 The report has been prepared using Microsoft Word and Microsoft Excel. The report may contain minor rounding adjustments due to the use of computers for preparing certain calculations.
- 1.8 No responsibility is accepted to anyone other than WBC.
- 1.9 This report has been finalised on the basis that WBC advised, on 1 May 2014, that the police will not be taking action in relation to this case. No further work has been performed since this report was issued in draft form on 7 March 2013, and our recommendations contained in our

draft report of that date regarding reporting matters to the police and other authorities are contained in Section 9 of this report.

RESTRICTION ON CIRCULATION

- 1.10 This report is confidential and should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent. Such consent will only be given after full consideration of all the circumstances at the time.
- 1.11 It should also be noted that this report addresses matters which may be associated with illegal activity and, at the date of writing, is likely to be exempt in whole or in part from disclosure under the Freedom of Information Act, attracting an exemption under section 30. Careful consideration should, therefore, be given before responding to a request for access to this report under the Freedom of Information Act.
- 1.12 We also draw your attention to the comments at paragraph 6.4.

DISCLOSURES OF INTEREST

- 1.13 Since accepting this instruction, Grant Thornton UK LLP has become the external auditor to WBC. However, this report and the underlying review has been undertaken by members of our Forensic and Investigation Services team.

FORMS OF REPORT

- 1.14 For your convenience, this report may have been made available to recipients in electronic as well as hard copy format. Multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

2 BACKGROUND AND APPROACH TO OUR WORK

2.1 The RFQ points out that:

"Allegations were made under the council's whistleblowing policy, from August 2011, by two persons previously employed by a company which had a contract with the Council [ie Enterprise Solutions]."

2.2 The RFQ also stated that:

"An investigation into the allegations was begun by the [REDACTED] within [WBC's] internal audit and a draft report produced. This officer went on extended sick leave and subsequently resigned from the Council. The work on the investigation was continued by the [REDACTED] and further draft reports produced separately into BIG and ISUS. This officer is now retiring from the Council.

In view of these changes of staff, it has now been decided that the investigation should be completed by an outside firm of accountants."

OUR APPROACH

2.3 In response to the RFQ, we recommended to WBC that we would review the records already collated by WBC's [REDACTED] we would not do so until we had spoken to the two people who had raised concerns to WBC, referred to hereafter as A1 and A2. The purpose of doing so had been to ensure that our mind was open to the concerns raised to WBC, rather than being influenced by work previously undertaken.

2.4 Having spoken to the two people who had raised concerns with WBC, we compiled an initial enquiry log. This initial meeting was also attended by an ISUS Applicant with the agreement of A1 and A2, referred to hereafter as ISUS 1. We allowed A1, A2 and ISUS 1 to add to the initial enquiry log after our meeting and agreed its contents with them. We have used this initial enquiry log as the basis for our work. It is attached as Appendix 1, although we have removed reference to the names of third parties not directly associated with Enterprise Solutions in order to protect their confidentiality.

2.5 The initial enquiry log was broken down into five parts:

- BIG
- ISUS and Working Neighbourhoods
- Staff competence
- Others
- Bullying, patronage and super-profit

2.6 That part of the enquiry log which referred to BIG is not attached within Appendix 1 as it is attached to our report which addresses this scheme.

2.7 [REDACTED]
[REDACTED]. We have not addressed these points as they fall outside of our expertise as forensic accountants and have not, therefore, been addressed in this report. WBC should, therefore consider, whether and (if applicable) how these concerns should be addressed.

2.8 It is also worth noting that we have been unable to address all of the points included on Appendix 1 owing to a lack of availability of information, as explained from paragraph 2.10.

LIMITING FACTORS

2.9 We have summarised the structure of our report from paragraph 2.19. Before doing so, we have described two important and limiting factors which have constrained the depth of our findings and our ability to respond quickly and efficiently to our instructions.

Access to Enterprise Solutions

2.10 As explained from paragraph 4.50, Enterprise Solutions had a contractual obligation to provide WBC and its professional advisors with access to its "accounts and records" under ISUS. WBC wrote to Enterprise Solutions on 26 November 2012 on our behalf asking that we be given access to Enterprise Solutions' accounts and records.

2.11 However, except for access which was granted on three days in January and February 2013, since we first requested access on 26 November 2012, whilst a legal matter, it might be said that Enterprise Solutions has failed to comply with its contractual obligations. This has been despite repeated requests for such access. This has very much limited the depth of our review and our findings must be read in this context.

2.12 Our experiences and the difficulty we have faced obtaining access to Enterprise Solutions "accounts and records" has been consistent with those of WBC as demonstrated by Document 1, being a schedule of requests made by WBC to gain access. This shows that after

WBC made a request for access on 10 October 2011, WBC only managed to gain access on 14 December 2011 and only after making repeated requests.

- 2.13 During the course of our work, we have ensured that WBC staff, including its legal team, have been aware that Enterprise Solutions has not allowed us sustained access to its accounts and records. During the course of our work we have pointed out that the lack of access to Enterprise Solutions' records has hampered our progress.

Collation of information prior to our instruction

- 2.14 As explained above, work was undertaken by WBC's [REDACTED] before we were instructed. As set out in our response to WBC's RFQ, we recommended that having met with A1 and A2, we would undertake a detailed review of the documentation and evidence already collected by WBC.
- 2.15 Although a substantial quantity of material had been collected, we found that the majority of this related to the BIG programme. As far as we could tell, our "predecessors" had failed to collate core contractual documentation between WBC and Enterprise Solutions and had failed to ascertain how invoices generated by Enterprise Solutions under the ISUS programme might be reconciled with the underlying contract.
- 2.16 This has meant that we have spent a disproportionate amount of time trying to locate important records which should have been collated before our instruction. We have made repeated requests for information, much of which should have been in WBC's possession, from WBC. Furthermore we have spoken to representatives of A4e Ltd (A4e) (who, as explained from paragraph 4.21), appear to have been responsible for reviewing documentation submitted by Enterprise Solutions to the North West Development Agency (the NWDA)), the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills (BIS).
- 2.17 The consensus would seem to be that important information which should have enabled us to reconcile Enterprise Solutions' invoices to the contract between WBC and Enterprise Solutions should be within the possession of BIS. This is because, as explained from paragraph 4.8, BIS received information previously held by the NWDA following the NWDA's closure.
- 2.18 Whilst BIS has been able to help with the provision of some information and continues to search for more, important gaps in contractual documentation remain and we remain unable to reconcile payments made to Enterprise Solutions under the ISUS programme with the corresponding contract.

STRUCTURE OF THIS REPORT

2.19 We have provided an executive summary setting out our interim conclusions in Section 3. These are based on:

- a summary of the contractual documentation concerning the ISUS programme, and includes reference to a "complementary" programme which supported the ISUS programme, as well as a programme similar to ISUS which preceded it, in Section 4;
- anomalies in records retained by Enterprise Solutions which are likely to have resulted in overpayments to Enterprise Solutions by WBC, in Section 5;
- apparent conflicts of interest which should have been disclosed to WBC, in Section 6;

- [REDACTED]

- [REDACTED]

2.20 We have also included a series of recommendations in Section 9.

3 EXECUTIVE SUMMARY

- 3.1 This report refers to the work we have undertaken in response to concerns raised by two former employees of Enterprise Solutions. Enterprise Solutions is often referred to colloquially as Wirral Biz and references to Wirral Biz in this report are also intended as references to Enterprise Solutions.

OUR APPROACH

- 3.2 In order to produce this report we first met with the two former employees (referred to in the report as A1 and A2) as well as an applicant under the ISUS programme. Having met with them, we produced an initial enquiry log and this is attached as Appendix 1. We have not been able to consider all of the concerns which are reflected on Appendix 1.
- 3.3 In large part, this has been because we have not had access to Enterprise Solutions' "accounts and records". Whilst a legal matter, this appears to represent a breach of Enterprise Solutions' contract with WBC under the ISUS programme which entitled WBC and its professional advisers to have access to the corresponding "accounts and records".
- 3.4 However, notwithstanding this feature, many of the concerns raised by A1/A2 have foundation, subject to the following comments concerning contractual documentation and a database known as CRM.

CONTRACTUAL DOCUMENTATION AND CRM

- 3.5 As far as we can tell, the NWDA had been responsible for compiling an approved list of private sector organisations to deliver the ISUS programme on behalf of local authorities throughout the North West. From this panel, WBC selected Enterprise Solutions. As far as we can tell, the NWDA appointed A4e as its contract manager to provide "day to day management" of organisations such as Enterprise Solutions.
- 3.6 We were instructed to undertake this review following the departure of two WBC employees who had previously commenced, but not completed, their own reviews.
- 3.7 Having met with A1 and A2, we reviewed the information which had been collated by our predecessors. As far as we can tell, they did not or could not:
- collate a full set of contractual documents concerning the ISUS programme; or
 - locate a database known as CRM.

- 3.8 Although we have spoken to a range of people from WBC, as well as employees from BIS, DCLG and A4e, we have been unable to locate a full copy of the CRM database or a full set of contractual documents concerning the ISUS programme.
- 3.9 The absence of a full set of contractual documents is important because, among other things, we are uncertain which businesses had been eligible for support under the ISUS programme (from a contract compliance perspective) or precisely what services should have been provided by Enterprise Solutions.
- 3.10 A database known as CRM appears to have been used by the NWDA to receive important information from Enterprise Solutions which, among other things, evidenced that businesses supported by Enterprise Solutions had received "intensive support". Information uploaded to CRM appears to have been used by the NWDA/A4e to generate monthly statements showing how much WBC should have expected to pay Enterprise Solutions under the ISUS programme.
- 3.11 As far as we can tell, WBC and Enterprise Solutions had their remote access to the full CRM database removed at the close of the ISUS programme. Although WBC has provided us with an extract from CRM, this does not include the documents which may have been uploaded to it, and is insufficient to reconcile payments made to Enterprise Solutions with the underlying contract.
- 3.12 We have referred to the contractual documentation associated with ISUS and also the CRM database¹ in more detail in Section 4.
- 3.13 We have recommended that WBC continues our efforts to locate a full set of contractual documentation and the CRM database.

¹ CRM is discussed from paragraph 4.24

SUMMARY OF ENTERPRISE SOLUTIONS' ROLE UNDER ISUS

3.14 The absence of a complete set of contractual documents makes it difficult to reach a conclusion.

PRE AND POST START SUPPORT

3.15 However, based on the information which is available to us, it seems that Enterprise Solutions was entitled to charge WBC for pre and post start support provided to businesses on the Wirral:

- for pre-start support provided to Wirral based businesses, provided that at least three hours of pre-start support had been provided (£220 for three hours of support per "Target"); and
- for post-start support provided to Wirral based businesses, provided that at least three hours of post-start support had been provided (£220 for three hours of support² per "Target").

3.16 With reference to pre-start support, this seems to have been available for businesses which already had up to three years of trading history, ie the ISUS programme was intended to support existing but recently created businesses as well as completely new ones.

EVIDENCE OF TRADING

3.17 In addition, Enterprise Solutions was entitled to charge WBC once "satisfactory evidence" to demonstrate that a "Target" had started trading (£1,144) had been uploaded to CRM.

3.18 Although not specifically stated, it would seem logical that this should only have been charged by Enterprise Solutions in relation to businesses set up after they had received support from Enterprise Solutions and not in relation to businesses which might have been started trading up to three years beforehand.

3.19 However, ultimately, this is a legal matter and WBC should consider whether this payment per Target was payable only to "post-starts" or whether it also payable in relation to businesses which had already started to trade before joining the ISUS programme.


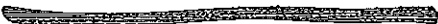
² contractually, Enterprise Solutions was entitled to provide three hours of support over a three year period (ie nine or more, in total), resulting in a charge to WBC of £220 per year, a maximum of £660 over three years

- 3.20 It is an important point because, as explained in Section 5, it would seem that Enterprise Solutions treated businesses as "pre-start" even if there is evidence to suggest that they had already started trading. Without access to CRM and a reconciliation with payments made to WBC, we cannot be sure. However, if recording a business as "pre-start", rather than "post-start" triggered the payment of £1,144 per Target, it may be that payments made by WBC to Enterprise Solutions under the ISUS programme were significantly overstated. This is largely because the £1,144 payment accounts for over half of the total amount payable to Enterprise Solutions for each business supported under the ISUS programme.

POST START REVIEWS

- 3.21 As part of the contract between Enterprise Solutions and WBC involving ISUS, Enterprise Solutions was required to undertake periodic monitoring checks and business reviews (a monitoring check or review being different to intensive post-start support) of the businesses they had supported. Enterprise Solutions was not paid specifically for each review but Enterprise Solutions had a contractual obligation to undertake these monitoring reviews.
- 3.22 We understand that when the ISUS programme came to an end, WBC decided to undertake these monitoring reviews because of a concern that Enterprise Solutions would either not undertake them or would not do so to a sufficiently high standard. This is likely to have meant that Enterprise Solutions has been allowed by WBC to avoid fulfilling one of its contractual obligations.

ANOMALIES IN ENTERPRISE SOLUTIONS' RECORDS

- 3.23 It should be noted that not all of the ISUS applicants with whom we have spoken have criticised Enterprise Solutions and some have expressed their compliments.
- 3.24 However, for the purposes of this report, we have assumed that Enterprise Solutions' records should have been complete and free from material anomaly. We have not, therefore, focused on those areas where Enterprise Solutions has fulfilled its contractual obligations; instead, we have focused on those areas where Enterprise Solutions seems not to have done this.
- 3.25 For instance, we showed documentation associated with the ISUS programme to an applicant who praised Enterprise Solutions' support. In doing so, we showed her a signature which purportedly belonged to her and noted that it appeared as though her signature had been drafted in pencil, then overwritten in ink and an attempt made to erase the pencil marks. The ISUS applicant told us that this is not something she would have done. 
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- 3.26 We have discussed some of the anomalies we have seen in Enterprise Solutions' records in more detail in Section 5 and some examples follow in this section.
- 3.27 The absence of a full set of contractual documents and access to the CRM database means that we do not know for certain whether the documents we have been presented with by Enterprise Solutions supported Enterprise Solutions' invoices. Therefore, we do not know with certainty whether anomalies associated with the documents we have seen have resulted in an over payment to Enterprise Solutions or whether WBC/the NWDA had relied on the integrity of these documents. However, it seems likely that at least some of the documents in which we have found anomalies had been used to support payments made to Enterprise Solutions by WBC.

ADVISORY SHEETS: PRE-START SUPPORT

- 3.28 For example, it seems that "advisory sheets" were used by Enterprise Solutions to demonstrate that pre and post start support had been provided to applicants to the ISUS programme. The advisory sheets should have included a narrative to summarise the nature of the support. They should have also stated what the "session duration" had been, the date of the session, and should have been signed by the Enterprise Solutions advisor and the ISUS applicant.
- 3.29 Where possible we have contrasted the information to which we have had access with other contemporaneous documents. In doing so, we have identified anomalies. For instance, in one instance an advisory sheet dated 16 February 2011 described a financial forecast as:

"absolutely fine".

- 3.30 A week later the same advisor who had described the applicant's forecast as absolutely fine emailed the applicant to ask:

"Have you got a business plan and financial forecast for the first twelve months completed."

- 3.31 In this instance, the advisory sheet which is likely to have supported payments made by WBC to Enterprise Solutions contrasts with another contemporaneous record.

POST START REVIEWS

- 3.32 The requirement to undertake post start reviews appears to have been a contractual obligation which Enterprise Solutions should have fulfilled. The forms used by Enterprise Solutions to undertake 12 month and 24 month reviews included a summary of the ISUS applicant's recent results. We showed such a form to one of the ISUS applicants to whom we have spoken. He responded by saying:

"load of rubbish....they've just made it up".

CONFLICTS OF INTEREST

- 3.33 We have discussed apparent conflicts of interest in Section 6. [REDACTED] f

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- 3.34 We do not know whether these apparent conflicts of interest ran contrary to the corresponding contract between WBC and Enterprise Solutions as we have been unable to locate a copy of the necessary contract (ie that which preceded ISUS). [REDACTED] association with apparent conflicts of interest appears to have continued after the beginning of the ISUS programme as he appears to have been a shareholder in, and latterly also a director, of a company which had been supported under the ISUS programme.

- 3.35 Enterprise Solutions had a contractual obligation under the ISUS programme to report actual or potential conflicts of interest to WBC. As far as we are aware, such a disclosure was not made to WBC. This seems to represent a breach of contract and may also be associated with an offence under the Fraud Act (fraud by failing to disclose information).

- 3.36 In addition to these apparent conflicts of interest, it would seem that Enterprise Solutions used its involvement with the ISUS programme to cross sell other Enterprise Solutions products, such as business cards, leaflets, and accountancy support. Enterprise Solutions also appear to have hosted some ISUS applicants' registered office, presumably in exchange for a fee. In the words of someone who received advice from Enterprise Solutions under a programme which preceded ISUS, this involved a process of "cross selling".

3.37 In speaking to one ISUS applicant [REDACTED] has explained that [REDACTED] spent all of the £500 grant [REDACTED] had received from WBC on Enterprise Solutions leaflets which, with hindsight [REDACTED] recognises could have been purchased for much less than £500 and to a higher standard of quality. The ISUS applicant told us that this had been the:

"most ridiculous money we have ever spent".

3.38 A process of cross selling appears to have preceded the ISUS programme. It might be said that an organisation responsible for providing "intensive support" to inexperienced entrepreneurs should have restricted its involvement to the provision of that support, rather than also recommending and/or selling its own business services to those applicants.

3.39 It may also be noteworthy that advisory sheets often indicated that Enterprise Solutions staff had spent their time assessing applicants and their business plans for "eligibility". If Enterprise Solutions staff had a role as gate keepers to the ISUS programme then the opportunity to generate turnover from successful applicants represents a potentially important conflict of interest which should have been avoided.

POSSIBLE CRIMINAL OFFENCES

3.40 [REDACTED]
[REDACTED]

- Theft Act
- Fraud Act
- Forgery and Counterfeiting Act.

3.41 Offences may also have been committed under the Data Protection Act.

INVOLVEMENT AND ROLE OF A4E

3.42 As explained from paragraph 3.5, A4e had been responsible for the day to day management of organisations such as Enterprise Solutions. As part of this process, A4e undertook a "supplier audit" of Enterprise Solutions in 2010 and in 2011. We understand from WBC that these audits took place because of concerns WBC had with Enterprise Solutions.

- 3.43 The quality of A4e's work falls outside of the scope of this review and has not, therefore, been addressed in the sections which follow. However, we note from minutes of a meeting between WBC, Enterprise Solutions and A4e which took place in August 2010 (Document 2) that the reliability of Enterprise Solutions' records had been queried by A4e:

[redacted] of A4e] stated that there must be at least three hours one-to-one intervention up to the business planning completion stage and that A4E felt that the written reports of one adviser in particular did not reflect that this time had been spent with each client."

- 3.44 Thus, it would seem that A4e had similar doubts to those described from paragraph 3.28. A WBC representative at the August 2010 meeting:

"suggested that a letter from the client confirming they had received at least three hours support could also support this evidence if necessary."

- 3.45 A4e agreed to consider the suggestion, but there is no reference to it in the minutes from the following meeting in November 2010. We do not know, therefore, whether A4e adopted the suggestion or, if they did not, why not.

- 3.46 A4e's involvement may also be relevant because their draft findings from their 2010 audit suggested that 26.72% of the funding paid to Enterprise Solutions had been "at risk" as a result of A4e's work. The finalised version of this report marked this down to "nil" following the receipt of additional material supplied by Enterprise Solutions to A4e. As such, WBC would have been able to take some assurance from the revised findings.

- 3.47 However, from an audit/investigations perspective, it is unclear whether A4e's response to the information supplied in response to the draft findings had been appropriate. For example, in one instance, A4e had identified a situation where a "start-up claim form" had been signed before the corresponding business had started to trade. The issue was resolved by the preparation of a new "start-up claim form" which included alternative signing dates which were consistent with the date the business had started.

- 3.48 It is unclear whether A4e spoke to any of the ISUS applicants in order to understand, for example, why a claim form had been signed in advance of the business starting to trade. Had A4e done so, they might have identified some of types of anomalies identified in this report and corrective measures might have been taken.

RECOMMENDATIONS

- 3.49 We have included a series of recommendations in Section 9.
- 3.50 Chief among these are that WBC considers whether civil litigation should be undertaken against Enterprise Solutions for an apparent breach(es) of contract. The absence of a full set of these documents would weaken the strength of WBC's position should it seek to undertake civil litigation. In the event that WBC chooses to undertake civil litigation against Enterprise Solutions it should continue to take steps to locate a full set of contractual documents between WBC and Enterprise Solutions, and between the NWDA and Enterprise Solutions.
- 3.51 Whilst a legal matter, we have also identified what would seem to be [REDACTED]
[REDACTED] We would recommend, therefore, that WBC considers reporting this matter to the Police.
- 3.52 In isolation, some of the anomalies we have identified are sufficiently serious to merit Police involvement. However, before WBC reaches a conclusion concerning civil litigation and/or Police involvement, WBC should consider whether the sample we have reviewed is sufficiently large and/or representative to merit litigation or Police investigation. In the event that WBC concludes that further investigation is necessary before commencing either civil litigation and/or Police involvement, it will be necessary for WBC to enforce its contract as we have been unable to obtain sustained access to "accounts and records" to which WBC is contractually entitled.

4 SUMMARY OF CONTRACTUAL DOCUMENTATION

- 4.1 We have discussed the contractual documentation concerning the ISUS programme, and associated gaps, from paragraph 4.2. Enterprise Solutions also managed a programme which it ran in tandem with ISUS on behalf of WBC and this is discussed from paragraph 4.84. We have also discussed a programme which preceded ISUS from paragraph 4.88.

ISUS

- 4.2 The directors of Enterprise Solutions signed a contract with WBC which was dated 1 October 2009 for the provision of business start-up services in the Wirral (the ISUS Contract).
- 4.3 The ISUS Contract is attached as Document 3 and referred, among other things, to the unit prices which Enterprise Solutions were to charge WBC.
- 4.4 The ISUS Contract also referred to an agreement between Enterprise Solutions and the NWDA which was dated 30 June 2009. This was described as a "Supplier Agreement".
- 4.5 We have discussed the "Supplier Agreement" from paragraph 4.13. The ISUS Contract also referred to the Conditions of Contract, as defined in the Supplier Agreement, and we have discussed the Conditions of Contract from paragraph 4.38.
- 4.6 We have discussed the ISUS Contract and the corresponding requests for a tender and Enterprise Solution's proposal from paragraph 4.57.

ENTERPRISE SOLUTIONS' RELATIONSHIP WITH THE NORTH WEST DEVELOPMENT AGENCY

- 4.7 As we understand things, the NWDA selected a panel of private sector contractors to deliver intensive business start-up services to local authorities in the North West of England. We understand that local authorities such as WBC selected a contractor from the NWDA's panel within WBC's own "mini tender" process. We have discussed the relationship between the NWDA and Enterprise Solutions and the contractual documentation between the parties here.
- 4.8 The NWDA was the North West's regional development agency until its abolition on 1 July 2012. We understand that the NWDA's records were transferred to BIS around the time of its closure.

4.9 Over a period of several months, we have, therefore, been in regular contact with BIS in order to locate contractual and other documents concerning the NWDA's relationship with Enterprise Solutions. This has largely been unsuccessful because BIS has been unable to locate important contractual documentation between the NWDA and Enterprise Solutions, such as:

- the tender or proposal submitted by Enterprise Solutions to the NWDA; and
- a signed copy of the Supplier Agreement between Enterprise Solutions and the NWDA.

4.10 It is also because BIS has been unable to locate a copy of a database known as CRM. We have discussed the CRM database in more detail from paragraph 4.24.

4.11 Our understanding of the contractual relationship between the NWDA, WBC and Enterprise Solutions is limited by our inability to obtain key contractual documents and the following comments necessarily include some important assumptions and may be subject to change in the light of new information.

4.12 As stated above, we have been unable to locate a copy of the proposal submitted by Enterprise Solutions to the NWDA in order to join the NWDA's panel of approved contractors. We have asked Enterprise Solutions to provide a copy of their tender or proposal, but this request has not been fulfilled and we cannot, therefore comment on the contents of any such documentation.

Supplier Agreement

4.13 We have also asked Enterprise Solutions to provide us with a copy of their signed Supplier Agreement with the NWDA, but this request has also been unfulfilled. Similarly, although WBC's correspondence with Enterprise Solutions referred to the Supplier Agreement and referred to its date, WBC has been unable to provide us with a copy.

4.14 We have been provided with an unsigned Supplier Agreement, and this is attached as Document 4. This makes no specific reference to Enterprise Solutions. In the absence of a signed document we have assumed that its contents matched the document signed by Enterprise Solutions.

4.15 Among other things, the unsigned Supplier Agreement referred to:

- a mini tender process, discussed from paragraph 4.17;
- the contract manager's agent, discussed from paragraph 4.21; and
- an obligation to use a "CRM" system, discussed from paragraph 4.24.

- 4.16 The unsigned Supplier Agreement also referred to a series of six schedules which should have included Enterprise Solutions' proposal addressed to the NWDA and an instruction letter. With the exception of Schedules 1 (a list of local authorities in North West of England) and 2 (conditions of contract), we have not had access to the schedules referred to in the unsigned Supplier Agreement.

Mini tender process

- 4.17 Paragraph two of the unsigned Supplier Agreement explained, among other things, that local authorities (such as WBC) could let a contract to suppliers (presumably, such as Enterprise Solutions) pursuant to the Supplier Agreement.
- 4.18 The unsigned Supplier Agreement explained that local authorities could send an invitation to tender or a request for a quotation to suppliers, presumably such as Enterprise Solutions. It also explained that suppliers who submitted a tender would submit this to either the NWDA or the local authority in question.
- 4.19 WBC made a request for quotations to supply *"intensive and specialist services and support for people considering setting up in business"* on 24 July 2009. Enterprise Solutions provided a proposal to WBC in response to this request on 6 August 2009. Thus, it would seem that WBC decided to take responsibility for selecting Enterprise Solutions within the context of its own mini-tender process, rather than relying on the NWDA.
- 4.20 We have discussed the request for a quotation and Enterprise Solutions' proposal from paragraphs 4.59 and 4.73.

The Contract Manager's Agent

- 4.21 The unsigned Supplier Agreement defined the "Contract Manager's Agent" as being A4e.
- 4.22 Paragraph seven of the Supplier Agreement explained that A4e would be responsible for the *"day to day management of the service providers"* and referred to a contract with A4e which was attached to the Conditions of Contract as Schedule 1. Although we have a copy of the Conditions of Contract, this does not include Schedule 1. We have contacted A4e in order to ask for a copy of this contract between A4e and the NWDA, but A4e have failed to respond to this request.
- 4.23 This is problematic because A4e appear to have played an important role in managing the ISUS programme delivered in the Wirral but we cannot confirm precisely what role they played. Our understanding is that A4e reviewed documentation uploaded onto a database known as "CRM",

discussed from paragraph 4.24, and also undertook supplier audits of Enterprise Solutions on behalf of the NWDA.

The CRM system

- 4.24 Paragraph 16 of the unsigned Supplier Agreement referred to the use of a "CRM system", hereafter referred to as "CRM".
- 4.25 We have not been able to locate a copy of the full version of CRM. However, as far as we can tell from conversations we have had with a range of people including representatives of Enterprise Solutions, WBC and BIS; Enterprise Solutions were required to upload information which Enterprise Solutions had collated during the ISUS programme onto CRM.
- 4.26 As far as we can tell, A4e and/or the NWDA would review information which had been uploaded onto CRM, on a sample or 100% basis, and generate a statement which the NWDA would send to both WBC and Enterprise Solutions.
- 4.27 An extract from the November 2011 statement is included here:

Statement Type: final
 Supplier Name: Enterprise Solutions
 Work to End: Nov-11
 Local Authority Group: Wirral

Monthly Performance			
Regional Total:			£49,500.00
Regional	Monthly Retainer	1	£5,500.00
Regional	Start	32	£42,240.00
Regional	Post Start (Y1, Y2, Y3)	6	£1,760.00
<hr/>			
Local Total:			£880.00
Local	Monthly Retainer	0	£0.00
Local	Start	0	£0.00
Local	Post Start (Y1, Y2, Y3)	4	£880.00
<hr/>			
Total ex VAT			£50,380.00
VAT: 20.0%			£10,078.00
Total inc VAT:			£60,458.00

- 4.28 Payments made by WBC to Enterprise Solutions under the ISUS programme appear to have been based on the monthly statements supplied by the NWDA. From WBC's position, this would seem to have been a reasonable approach given that A4e had been appointed as the "Contract Manager's Agent", responsible for the "day to day management of the service providers".
- 4.29 The November 11 statement (like other statements) refers to a "monthly retainer" of £5,500 plus VAT. Monthly statements associated with the ISUS programme show that they first included a monthly retainer in May 2010³. The statements show that these were initially £2,200 per month but increased to £5,500 per month. We have discussed "monthly retainers" in more detail from paragraph 4.78.
- 4.30 The November 11 statement also refers to the cost of "starts" and the cost of "post starts", as summarised here in order to calculate the average unit price paid for each "start" and each "post start":

	Units on statement	Total cost (ex VAT)	Average unit price
	A	B	=B ÷ A
		£	£
Regional			
Start	32	42,240	1,320
Post Start	8	1,760	220
Local			
Start	-	-	-
Post Start	4	880	220

- 4.31 Thus, the unit price paid for each "start" recorded on the November 2011 statement (and others) appears to have been £1,320 plus VAT and the unit price paid for each "post start" support appears to have been £220 plus VAT. We have discussed how this links with the contract between Enterprise Solutions and WBC under the ISUS programme from paragraph 4.75.

³ it would seem that this also referred to a monthly retainer for April 2010, although this is uncertain

4.32 We have been unable to gain access to the full version of CRM on which the monthly statements appear to have been generated. This is very important because:

- we have identified anomalies (Section 5) in paperwork retained by Enterprise Solutions, but cannot be certain whether this paperwork was disclosed to the NWDA and whether it supported Enterprise Solutions' invoices addressed to WBC; and
- we cannot reconcile payments made by WBC to Enterprise Solutions to the underlying contract between the two parties without access to CRM.

4.33 As discussed from paragraph 2.16, we have spoken to a wide range of people and organisations in order to close the gaps in missing material. The consensus seems to be that WBC had its access to the full version of CRM removed at the end of the ISUS programme, as did Enterprise Solutions. The consensus would also seem to be that BIS should have access to the full version, but despite numerous requests to BIS, they have been unable to locate a copy of CRM.

4.34 We have, however, been given a copy of an abbreviated version of CRM by WBC. The abbreviated version of CRM retained by WBC was a Microsoft "Access" database. The database includes names and contact details for ISUS applicants and the following fields:

- payment state – ISUS applicants shown on the abbreviated version of CRM as having been "claimed" and the date of the "claim" is also included;
- ISUS stage – with the fields of "start-up" and "post start support"; and
- business still trading – with the fields of yes, no, unknown or the field was left blank.

4.35 The "payment state" field is significant because, in the absence of better information, we have assumed that where an individual or business is shown on the abbreviated version of CRM as having been "claimed", we assume that Enterprise Solutions invoiced WBC for the cost of supporting that applicant.

4.36 The "ISUS stage" field is significant because, as explained from paragraph 4.75, Enterprise Solutions was entitled to invoice WBC for both pre and post start support. In the absence of better information, where an individual or business is shown on the abbreviated version of CRM with the fields of:

- "start-up", we assume that Enterprise Solutions claimed for the cost of pre-start support only; and
- "post start support", we assume that Enterprise Solutions claimed for the cost of both pre and post start support.

4.37 The "business still trading" field identifies applicants using the narrative of "yes", "no", "not known" or are sometimes blank. We assume that, if the narrative is yes, this means that the corresponding ISUS applicant was still trading. This is significant as one of the ISUS applicants⁴ to whom we have spoken has told us that [REDACTED] had ceased trading during the first half of 2011, whereas the CRM extract indicates that [REDACTED] was still trading.

Conditions of Contract

4.38 The Conditions of Contract were attached as Schedule 2 to the Supplier Agreement and were referred to in the ISUS Contract. A copy of the Conditions of Contract is attached as Document 5.

4.39 Among other things, the Conditions of Contract, described:

- the Services to be provided by Enterprise Solutions, discussed from paragraph 4.40;
- Warranties, discussed from paragraph 4.45;
- the management of Conflicts of Interest, discussed from paragraph 4.47; and
- audit access and record retention, discussed from paragraph 4.50.

⁴ ISUS 3, see from paragraph 5.49

The Services

- 4.40 The Services were defined in the Conditions of Contract as having been:

"the services to be provided by the Supplier under this agreement, as set out in Schedule 1 and the Overall Proposal [our emphasis] and as more particularly described in the Instruction Letter and the Supplier's obligations under this agreement (as they apply to each Contract), together with any other services which the Authority takes or agrees to take from the Supplier."

- 4.41 We note that "the Supplier" was not defined in the Conditions of Contract. We assume that the Supplier should be interpreted as having been Enterprise Solutions.
- 4.42 In a broadly similar manner, the Conditions of Contract we have located did not include a Schedule 1. We also note that, according to the unsigned Supplier Agreement (see paragraph 4.22 above), A4e's contract with the NWDA should have been attached as Schedule 1 to the Conditions of Contract, ie there is an inconsistency as to what Schedule 1 should have been (ie definition/outline of the services to be provided by Enterprise Solutions or A4e's contract with the NWDA). It is important therefore that WBC locates a full set of contractual documentation concerning Enterprise Solutions' contract/relationship with WBC and the NWDA under the ISUS programme.
- 4.43 The Overall Proposal should have been attached as Schedule 6 to the Supplier Agreement, but we have been unable to locate this document. Thus, in order to understand the Services which Enterprise Solutions should have provided, we have referred to the Instruction Letter, which appears to have been the letter dated 1 October 2009 which we have defined as the ISUS Contract (discussed from paragraph 4.75).
- 4.44 However, the absence of important contractual documentation necessarily limits our understanding of the Services which Enterprise Solutions had been contractually obliged to provide under the ISUS programme.

Warranties

- 4.45 Paragraph 6 of the Conditions of Contract included a series of warranties provided by the "Supplier". Among other things, the "Supplier" warranted that the agreement would be performed by:

"appropriately skilled and qualified persons who have the necessary expertise to perform the Supplier's obligations under this agreement and have been vetted in accordance with Good Industry Practice, the Security Policy and the Staff Vetting Procedures."

- 4.46 This is relevant because, as explained in Section 7, we have been unable to ascertain how Enterprise Solutions ensured that it had "appropriately skilled and qualified persons with the necessary expertise" to perform the services provided by Enterprise Solutions within the context of the ISUS programme. We have discussed the competence of Enterprise Solutions' staff in Section 7.

Conflicts of interest

- 4.47 Paragraph 7 of the Conditions of Contract referred to conflicts of interest and stated that:

"The Supplier warrants that it does not have an interest in any matter where there is or is likely to be a conflict of interest with the agreement or and that (except as provided below) it shall not act for any person, organisation, or company where there is or likely to be such conflict of interest."

- 4.48 The Conditions of Contract also stated that:

"The Supplier shall undertake ongoing and regular conflict of interest checks throughout the duration of this agreement and shall notify the Authority in writing immediately upon becoming aware of any actual or potential conflict of interest with this agreement and shall work with the Authority to do whatsoever is necessary to manage such conflict to the Authority's satisfaction."

- 4.49 This is relevant because, as explained in Section 6, Enterprise Solutions appears to have had conflicts of interest in the context of the ISUS programme which were not known by and/or reported to WBC.

Audit access and record retention

- 4.50 Paragraph 25 of the Conditions of Contract stated that:

"25.1 The Supplier must keep proper, accurate and up to date accounts and records relating to the performance of its obligations under this agreement."

4.51 The Conditions of Contract also stated:

"25.2 The Supplier shall give the Authority, its professional advisers, auditors, the Contract Manager's Agent and any other nominated representatives of the Agency the right to inspect and take copies of or extracts from those records referred to at Clause 25.1 ...

*...
25.4 The Supplier must retain the records referred to in Clause 25.1 in good condition from the Commencement Date until at least ten years after the expiry or termination of this agreement..."*

4.52 This is relevant because, as explained from paragraph 2.10, despite our requests for access to "accounts and records" from Enterprise Solutions, for the most part these requests have not been addressed properly and Enterprise Solutions appear⁵, therefore, to have failed to comply with its contract.

4.53 As explained at paragraph 2.10, like WBC, we have struggled to gain access to Enterprise Solution's "accounts and records". WBC's experience was similar to ours in at least one other respect. Document 1 refers to a letter from LT (presumably a reference to Linda Turnbull, one of Enterprise Solutions' directors, the other being Mike Raworth) in which LT appears to have stated that *"she had never seen a copy of the contract"*.

⁵ this is a legal matter

- 4.54 This is similar to our experience in that we contacted Ms Turnbull asking her to provide us with a copy of the CVs referred to in Section 9 and Appendix E of Enterprise Solutions' proposal addressed to WBC and dated 6 August 2009. Ms Turnbull contacted us to say that

"the tender proposal that we have which forms part of our contract is dated October 2008 and so we would ask you to provide a copy of the 2009 document".

- 4.55 We were surprised that Ms Turnbull could not locate a copy of Enterprise Solutions' proposal dated 6 August 2009, but we located this document⁶ (except for the appendices) and WBC provided it to Ms Turnbull on our behalf. Despite several requests, Enterprise Solutions has not provided us with the CVs referred to in its proposal.
- 4.56 In the round, Enterprise Solutions' apparent⁷ failure to comply with its contractual obligations has meant that a disproportionate amount of our time and that of WBC, and therefore public money, has been wasted on what should have been a basic point of contract compliance.

THE ISUS CONTRACT

- 4.57 WBC issued a request for quotation for a project titled "Business Start Up – Wirral Council" on 24 July 2009 (the RFQ), attached as Document 6.
- 4.58 Enterprise Solutions responded to the RFQ with a proposal dated 6 August 2009 (the Proposal), attached as Document 7. We have discussed these from paragraphs 4.59 and 4.73.

The RFQ

- 4.59 As explained from paragraph 4.40, the Services were defined in the Conditions of Contract in a list of documents (Schedule 1 to the Conditions of Contract, the Overall Proposal, and the Instruction Letter), but this list did not include the RFQ.
- 4.60 However, the RFQ stated that:

"The actual services to be delivered are defined in the Business Start Up service specification..."

- 4.61 It is a legal matter on which we cannot opine as to whether the definition of services within the RFQ and, therefore, the "Business Start Up service specification" has any contractual relevance.

⁶ as part of our review of papers collated previously by WBC staff

⁷ this is a legal matter

- 4.62 WBC has provided us with an undated but NWDA badged document titled "Business Start Up service specification". This is attached as Document 8.
- 4.63 As we have been unable to establish whether the Business Start Up Service Specification had a contractual basis, the following may only be indicative of Enterprise Solutions' service responsibilities and we have not assumed that the Business Start Up service specification has any contractual significance.
- 4.64 None of the specifically contractual documents described in this section of our report referred to which businesses or individuals were eligible for support under the ISUS programme. However, eligibility was alluded to within the Business Start Up services specification on page six when referring to "clients":

"The BSU Project target client group are those people with a desire to start a business or have started a business less than 3 years old – VAT registered business[es], social enterprises or self employment. Support will be available to individuals whilst they are in the process of creating and starting their businesses, as well as ongoing support to the business for up to 36 months from the commencement of trading."

- 4.65 Section 3 of the Business Start Up Service Specification referred to two "lots". The first lot appears to have been consistent with the services provided by A4e, as summarised from paragraphs 4.21 and 4.26. The second lot referred to a panel of providers and this may be a reference to the panel selected by the NWDA.

4.66 The "client journey" was summarised on page 13 of the Business Start Up service specification and provided an indication of the support applicants might have anticipated under the ISUS programme. The journey was envisaged to have been a four stage process whereby the NWDA expected successful applicants to receive the following support, including:

- Stage 1: assessing the needs and barriers of the "client" and "level of service (information and advice) appropriate to the aspirations of each individual client".
- Stage 2: follow up with clients with a view to arranging a meeting with a "Business Start Up advisor" where required.
- Stage 3: where support was required, "providers" were to arrange to meet with "clients" to "take forward a "Training Needs Analysis"", resulting in the completion of a Business Plan.
- Stage 4: provision of aftercare support at three, six and 12 months after the "trading start date".

4.67 With reference to the business plans referred to within Stage 3, the Business Start Up Services Specification stated⁸ that *"the key objective of any support during the client journey process is to help the client move towards completing their business plan and starting their business."*

4.68 The Business Start Up Services Specification also stated⁹ that:

"The support should be designed to help the clients move from one stage in the Start-Up process to the next. The initial meeting between the client and advisor should result in an agreed Action Plan to aid the development of the Business Plan. The Action Plan will be informed by information from the Training Needs Analysis along with any skills development needs/action identified during early meetings."

⁸ page 15

⁹ page 16

4.69 Returning to the RFQ, this also referred to a programme of complementary services. Whilst the RFQ did not ask potential contractors to provide a price for the complementary services, it provided an outline of what these were expected to include, briefly summarised as:

- Awareness Events of three hours minimum duration for individuals seeking support to start a new business.
- Development Workshops (minimum duration not stated) for individuals seeking support to start a new business.
- A full programme of Post Start Support for new businesses to include:
 - interim monitoring at three, nine, 15, 21, 27, 30 and 33 months
 - monitoring at 18, 24 and 36 months, presumably post start

4.70 We have discussed the "complementary services" programme in more detail from paragraph 4.84.

4.71 The RFQ also required organisations which provided a proposal to price the work which would be delivered under ISUS. The RFQ asked its recipients to provide a unit price and demonstrated that the successful applicant under the ISUS programme would need to undertake aftercare support at intervals of three months, six months, 12 months, 24 months, and 36 months.

4.72 It is unclear, therefore, why WBC anticipated paying for monitoring at 24 and 36 months within the context of the "complementary services" programme (see paragraph 4.69), given that this should have been reflected within the ISUS programme.

Enterprise Solutions' proposal

4.73 Enterprise Solutions' proposal appears to have included an "Appendix E – Curricula Vitae for Key Staff". The copy we have obtained from WBC does not include this appendix. We have, therefore, asked Enterprise Solutions to provide us with a copy of its Appendix E, but this request has not been fulfilled.

4.74 Section 11 of Enterprise Solutions' proposal included a unit price of £2,200, plus VAT which was broken down into more detail in the ISUS Contract, discussed at paragraph 4.75.

Pricing within the ISUS Contract and Services to be provided

- 4.75 Paragraph 6 of the ISUS Contract confirmed that a unit price of £2,200 had been accepted by WBC and explained how and when this would be payable:

Activity	£
Engagement of the "end beneficiary/start up business" (the "Target") and once the meeting between the Target and Enterprise Solutions had taken place	176
Provision of at least three hours of intensive start up services to the Target has been completed and evidence on the CRM system	220
Target is trading and satisfactory evidence has been scanned on to the CRM system [We have assumed that Enterprise Solutions were not entitled to this fee if a "Target" had already started trading at the point of first contact with Enterprise Solutions.]	1,144
Provision of at least three hours of post start support during each year for three years post the date of trading has commenced (ie £220 per year for three years)	660
	2,200

- 4.76 Thus, it seems that the maximum revenue that Enterprise Solutions could derive from the ISUS Contract, per Target, was £2,200 plus VAT.

- 4.77 It also seems that the maximum that could contractually have been derived from Targets after the Target had started trading was £836 (£176 + £660). This is because, logically, pre-start support could not be provided to businesses which had already been set up and it seems doubtful whether Enterprise Solutions was entitled to charge WBC if a business had started trading before it had approached Enterprise Solutions.

- 4.78 As explained from paragraph 4.29, Enterprise Solutions appear to have been paid a "monthly retainer" by WBC under the ISUS programme. However, we can find no reference to such a retainer in the ISUS Contract. Conversely, the monthly statements appear to make no reference to the fee of £176 for the engagement of each Target after February 2010. We understand from WBC that, at the behest of the NWDA, the £176 fee per Target was replaced with the monthly retainer, but have not seen written documentation to this effect. Given that the monthly retainers are shown on monthly statements generated by the NWDA/A4e, it would seem that the NWDA was satisfied with this approach.

4.79 The monthly statements indicate that Enterprise Solutions was paid a unit price for the provision of three hours of pre-start support per "Target" of £220 and £1,144 for evidence of each Target which had started trading until March 2011. Based on the contents of the monthly statements, from April 2011, Enterprise Solutions do not appear to have been paid specifically for the pre-start support, instead, they seem to have been paid £1,320 for evidence of each Target which had started trading.

4.80 In addition to the provision of pre and post start support, we understand that ISUS applicants were entitled to receive a £500 grant from WBC.

Three hours or twelve hours of pre-start support

4.81 As shown by the table at paragraph 4.75, Enterprise Solutions needed to provide at least three hours of "intensive start up services" in order to merit payment of £220 per Target. This appears to have continued until at least March 2011. Within the context of the ISUS Contract, Enterprise Solutions were not paid more for the provision of additional pre-start support which went beyond the provision of three hours.

4.82 Our review suggests that, based on Enterprise Solutions' records, some applicants received more than three hours of pre-start support, sometimes receiving 12 hours or more of pre-start support. Whilst we have been unable to corroborate our understanding, we understand that the provision of at least 12 hours of support per Target (rather than three) was necessary for WBC to obtain European Regional Development Funding.

4.83 This may be why one of the fields within the CRM extract is titled "ERDF Funded". In the absence of better information, we assume that those applicants marked "ERDF Funded" should have received at least 12 hours of pre-start support.

COMPLEMENTARY SERVICES PROGRAMME

4.84 We have attached a copy of an undated document addressed to Enterprise Solutions titled "Working Wirral Fund. Re: Project ISUS Complementary Services Project", referred to hereafter as the Complementary Services Programme. This is attached as Document 9. Although Document 9 is unsigned and undated, we understand that in reality, a copy was signed and dated.

4.85 The Complementary Services Programme stated that:

"Wirral Borough Council ("the Council") has agreed to offer to Enterprise Solutions (NW) [sic] ("you") a grant of up to Nine Hundred and Nineteen Thousand Five Hundred Pounds (£919,500) ("the Grant") upon the terms and conditions below.

...
The Project will be to provide complementary services to enhance the NWDA Intensive Support Start Up Programme as follows:

- Awareness and development workshops.*
- Monitoring coverage for all new businesses up to three years of trading including seven interim monitoring sessions at three monthly intervals and also at 18, 24 and 36 months.*
- Provision of specialist post start and aftercare adviser support."*

4.86 We note that there is at least one element of cross over between the Complementary Services Programme and ISUS. As explained from paragraph 4.71, Enterprise Solutions had a contractual obligation to undertake "monitoring" at 24 and 36 months in the same or a similar way to that required under the Complementary Services Programme.

4.87 Whilst not the focus of this review, we understand that staff at WBC had asked for internal legal advice as to whether it might be possible to terminate the Complementary Services Programme during 2011 because they perceived the quality of support which was provided by Enterprise Solutions to have been deficient. We understand that WBC's legal team advised its colleagues that it would not be possible to terminate the contract. We have asked WBC's legal team for copies of this correspondence, but have not received it.

PREDECESSOR TO ISUS

4.88 As explained above, we understand that ISUS applicants should have received pre and post start support and advice under the ISUS programme, plus a £500 grant. Enterprise Solutions had been responsible for delivering the pre and post start support and uploading paperwork, which presumably included applications to join the ISUS programme onto CRM.

4.89 ISUS followed after a broadly similar programme. The programme was described in a report dated 13 October 2004, titled "Wirral Waterfront Business Start Programme". This is attached as Document 10.

4.90 The report discussed an existing business start programme and changes concerning the programme which started on 1 October 2004. Paragraph 3.1 of the report explained that the programme was intended to include :

"a comprehensive training package, one to one counselling and mentoring for the clients and a full monitoring programme over 78 weeks to ensure [the] sustainability of the new businesses."

4.91 The report explained that the support to new businesses was to be provided by Enterprise Solutions and referred to grants for new business start-ups of £1,000 on average¹⁰. We understand that, typically, the grants ranged from £500 to £2,000.

4.92 We have not been able to locate a copy of the contract between WBC and Enterprise Solutions. However, WBC has provided us with files concerning three applications to join this programme, which we have referred to in this report as being the predecessor to ISUS.

4.93 There are similarities between the paperwork retained by WBC under the predecessor to ISUS with the ISUS paperwork as both groups of documents include paperwork which:

- refers to advice provided to applicants;
- documentation which, it might be said, evidenced that the new business had started trading; and
- on one occasion out of three concerning the predecessor to ISUS, a business plan belonging to the applicant (applicants under the ISUS programme appear to have routinely submitted a copy of their business plan).

¹⁰ see the table at paragraph 3.2 of the report dated 13 October 2004

5 ANOMALIES IN ENTERPRISE SOLUTIONS' RECORDS

- 5.1 A1 and A2 have raised various concerns regarding the ISUS programme and its predecessor. We would have liked to have reviewed more of the files held by Enterprise Solutions but their apparent¹¹ failure to fulfil their contractual obligations and to allow us access to "accounts and records" has meant that our sample size has been very small.
- 5.2 This section of our report refers to all but one of the files we have been able to review. The last of these files is discussed separately in Section 6. We have discussed files made available to us by Enterprise Solutions under the ISUS programme from paragraph 5.5 and files retained by WBC concerning the predecessor to ISUS from paragraph 5.143.
- 5.3 This section of our report includes key findings from our review of a small sample and focuses on some of the most important findings from this exercise. More detailed findings are set out in Appendix 2.
- 5.4 It is important to note that, without access to the full CRM database and a reconciliation from the database to Enterprise Solutions invoices, we cannot reach a definitive conclusion as to whether the anomalies described in our report resulted in overpayment. However, it seems likely that at least some of these anomalies have resulted in over-invoicing by Enterprise Solutions to WBC and over payment from WBC to Enterprise Solutions.

ISUS

- 5.5 We have referred to the ISUS applicants to whom we have spoken as ISUS 1, ISUS 2 etc. We have been able to meet and speak to ISUS 1 to ISUS 5 only.
- 5.6 In speaking to ISUS 1 to ISUS 5, it is clear that there are inconsistencies in the records retained by Enterprise Solutions and the ISUS applicants' recollections and contemporaneous records to which they have given us access. We would, therefore, have liked to have spoken to the other ISUS applicants whose files we have reviewed. In each case, we made contact with the applicant but have been unable to arrange a meeting.

ISUS 1

- 5.7 ISUS 1 is an establishe ~~who~~ who ran a successful children's nursery with ~~the~~ prior to contacting Enterprise Solutions for legal advice in November 2010.

¹¹ this is a legal matter

Quality of support from Enterprise Solutions

- 5.8 In doing so, ISUS 1 spoke with [REDACTED] of Enterprise Solutions who [REDACTED] had understood to be a solicitor specialising in "property and leases".
- 5.9 ISUS 1 has told us that [REDACTED] now understands that [REDACTED] was not a solicitor. We have confirmed with the Solicitors Regulation Authority that [REDACTED] is not a solicitor, and this is discussed in more detail from paragraph 7.13.
- 5.10 We have asked Enterprise Solutions for a copy of the CVs submitted as part of its proposal to WBC. We assume that these should have included [REDACTED] CV as [REDACTED] appears to have played a prominent role in the context of Enterprise Solutions and the ISUS programme. This request has not been fulfilled.
- 5.11 As we are not legally qualified we cannot comment on the advice [REDACTED] may have provided and because Enterprise Solutions has not provided us with CVs for its staff as submitted to WBC, we cannot compare the CV with the suggestion that [REDACTED] held herself out as a solicitor.

Quantity of support from Enterprise Solutions

- 5.12 ISUS 1 has told us that [REDACTED] had no other need of support from Enterprise Solutions and did not ask for any other support, other than for advice concerning a "tenancy at will" which a landlord had given [REDACTED] in relation to [REDACTED] new business venture. ISUS 1 has explained, and his business plan confirms, that [REDACTED] new venture involved the opening of a second children's nursery.
- 5.13 Documents retained by Enterprise Solutions indicate that ISUS 1 received 12 hours of support from Enterprise Solutions before [REDACTED] business started trading. The possible relevance of 12 hours of pre-start support is discussed from paragraph 4.81. The extract of the CRM database we have been given indicates that ERDF funding may have been sought in relation to ISUS 1.
- 5.14 ISUS 1 estimates that, at most, [REDACTED] received one hour and twenty minutes of support but that much, arguably all, of this was provided after [REDACTED] new business had started, as summarised here:
- one hour in November 2010 to discuss a "tenancy at will" provided by [REDACTED] potential landlord; and that much of the hour was spent in social, rather than business conversation; and
 - two ten minutes meetings in February 2011.

5.15 Of the 12 hours of "support", the most notable in terms of quantity concerns a 7.5 hour piece of support set out on an undated "advisory sheet". The documentation associated with the 7.5 hours of support was not signed by ISUS 1 and [REDACTED] claims that the contents of the advisory sheet could not be accurate, in part because it refers to:

- a "full review and report of a commercial lease" which involved four hours of support, but ISUS 1 states that [REDACTED] received no such report and could not have done because [REDACTED] "tenancy at will" never reached the stage of becoming a lease; and
- a "full review of current employment law as ISUS 1's venture would have required numerous employees", but ISUS 1 has told us that [REDACTED] existing nursery already employed people, some of whom would have transferred from the existing nursery to the new one.

5.16 We have asked Enterprise Solutions to provide us with a range of information such as the "commercial lease" and the notes of the corresponding review, as well as notes concerning [REDACTED] of "current employment law". This request has not been fulfilled.

5.17 A subsequent "advisory sheet", dated 16 February 2011, referred to ISUS 1's business plan and said that:

- [REDACTED] financial forecast is absolutely fine"; and whilst
- [REDACTED] market research is excellent", it needed to be "put into context".

5.18 This contrasts with two other contemporaneous records provided to us by ISUS 1. For example, we have been provided with an email dated 23 February 2011 (ie after the date of the 16 February 2011 advisory sheet) which asked:

"Have you got a business plan and financial forecast for the first twelve months completed."

5.19 It is unclear why [REDACTED] would have asked for a completed financial forecast on 24 February 2011 given that the forecast she had reviewed roughly a week before (16 February 2011) was "absolutely fine".

- 5.20 ISUS 1 has also given us a copy of a business plan which [REDACTED] had previously prepared (without support from Enterprise Solutions) for [REDACTED] first nursery. This is very similar to the business plan retained by Enterprise Solutions concerning [REDACTED] second business plan. In particular, the sections titled "the Market" are almost word for word for the same. It is unclear therefore why [REDACTED] concluded that ISUS 1's market research needed to be put into context.
- 5.21 The final advisory sheet, dated 24 February 2011, did not refer to any support provided to ISUS 1, it would seem that [REDACTED] simply reviewed ISUS 1's business plan and financial forecast. The narrative of the advisory sheet is included here in full:

"I am satisfied that ISUS 1's business plan and financial forecast meet the standard of the ISUS programme and am more than happy to sign this off. ISUS 1's new venture will create 20 new ft positions once it is running at full capacity and will keep us informed of progress."

- 5.22 On [REDACTED] own basis, [REDACTED] had already reviewed ISUS 1's financial forecast. Furthermore, ISUS 1's business plan appears to have been a variation on an existing plan.
- 5.23 It seems doubtful therefore whether the advisory sheets accurately quantify the volume of support provided to ISUS 1.

Joining date

- 5.24 Records retained by Enterprise Solutions state that ISUS 1 joined the programme on 16 November 2010, the date of the first advisory sheet. ISUS 1 has told us that, as far as [REDACTED] had been aware, [REDACTED] had not joined the programme until February 2011. ISUS 1 also contends that [REDACTED] did not sign the advisory sheet (which was dated 16 November 2010) until February 2011.
- 5.25 This contention appears to be supported by a chain of emails provided by ISUS 1, dated 23 February 2011 (the date before the final advisory sheet). ISUS 1's email was titled "RE: 500 grant" and asked:

"Shall I call you to make the appointment or shall we do it via email? I would rather fill out the forms with yourself..."

5.26 [REDACTED] plied on 23 February 2011 to say that:

"Seeing me is not a problem.

...

If you book in I will be able to go through in detail everything that is required for the application [our emphasis]."

5.27 It is unclear why, if ISUS 1 had joined the programme in 2010, paperwork retained by Enterprise Solutions had been dated prior to 23 February 2011 as it would seem that "everything" in the application was completed on, or after 23 February 2011.

5.28 It would seem, therefore, that documentation retained by Enterprise Solutions dated prior to 23 February 2011 was not completed until that date or afterwards. If that is true, the dates of signatures shown on those records as retained by Enterprise Solutions are inherently misleading.

5.29 Information supplied by ISUS 1 indicates that steps had been taken by ISUS 1 to start his business before he first met [REDACTED] November 2010. By the date of the first of the meetings in February 2011, evidence provided by ISUS 1 indicates that he had already started to incur business expenses. [REDACTED] has told us that [REDACTED] first had children in his nursery on 14 February 2011, two days before the first of the meetings with [REDACTED] in February 2011. It is doubtful, therefore, whether Enterprise Solutions should have charged WBC (assuming they did) for pre-start support.

Misuse of confidential information

5.30 ISUS 1 has told us th [REDACTED] was telephoned by people during 2011 trying to sell him a mobile phone and airspace. ISUS 1 has told us that the callers had claimed to be from "Wirral Biz".

5.31 As explained from paragraph 6.45, we have identified a company which appears to have been involved in or related to the sale of mobile phones or airspace. That company's registered office was also that of Enterprise Solutions, its shareholder had been a successful applicant under the ISUS programme and, we have been told that the applicant had also been an Enterprise Solutions' sub-contractor.

ISUS 2

Quality of support from Enterprise Solutions

- 5.32 As explained from paragraph 4.34, we have only been able to gain access to an abbreviated version of the CRM database. This is problematic as we do not know whether Enterprise Solutions charged WBC for "post start" support for ISUS 2. However, the extract from CRM indicates that WBC charged for "post start" support given to ISUS 2.
- 5.33 Having spoken to ISUS 2, it would seem that this support involved the preparation of tax returns. This is because ISUS 2 has confirmed that Enterprise Solutions prepared a tax return (which [REDACTED] is content with), and ISUS 2 has told us that [REDACTED] was not charged for this support by Enterprise Solutions.
- 5.34 The corresponding tax return (or other records evidencing that post start support was provided) is not included on the file made available to us by Enterprise Solutions. We cannot, therefore, comment on the quality of this work.

Integrity of documentation – advisory sheets

- 5.35 In reviewing ISUS 2's file, we reviewed the advisory sheets which "evidence" the pre-start support provided to ISUS 2. A careful examination of the signatures for these shows that in one instance, ISUS 2's signature appears to have initially been written in pencil, overwritten in ink, and an attempt made to remove the pencil marks.
- 5.36 The corresponding advisory sheet appears to have been signed by [REDACTED] in his capacity as ISUS 2's advisor.
- 5.37 We discussed this feature with ISUS 2 and asked whether [REDACTED] tended to first sign her name in pencil and then overwrite this in ink. ISUS 2 has told us that [REDACTED] would not have done so. Although ISUS 2 has told us that the corresponding signature looks like [REDACTED], it seems likely that [REDACTED] was not responsible for the signature on the corresponding advisory sheet.

Cross selling

- 5.38 ISUS 2 has told us that [REDACTED] purchased business cards which had cost £29.37 from Enterprise Solutions. Enterprise Solutions provided quotations for other products to ISUS 2, such as leaflets, but ISUS 2 did not purchase these.

ISUS 3

Integrity of documentation – advisory sheets

5.39 The "discussion points and actions" shown on the three advisory sheets associated with ISUS 3 were typed, and signed by [REDACTED] in his capacity as ISUS 3's advisor.

5.40 We have shown the advisory sheets to ISUS 3. ISUS 3 has stated that the advisory sheets were always completed prior to the meeting [REDACTED] had with [REDACTED], including the "Discussion Points & Actions" section, and were not completed in ISUS 3's presence. ISUS 3 has advised that the narrative shown on the advisory sheets is in line with her recollection of each meeting. However, we do not know how the advisory sheet could have reflected the discussion of the meeting if it was completed before the meeting had taken place.

5.41 This is especially relevant as the advisory sheet, dated 23 October 2009, noted

"we agreed [REDACTED] needs to organise [REDACTED] corporate ID to include on al [REDACTED] marketing literature as mentioned in [REDACTED] [business] plan".

5.42 We cannot find a reference to a corporate ID in ISUS 3's business plan and it is unclear, therefore, why [REDACTED] made reference to the "corporate ID" in the context of ISUS 3's "plan".

Integrity of documentation – claim forms

5.43 There are two claim forms on ISUS 3's file, as retained by Enterprise Solutions. Both of these purport to have been signed by ISUS 3. However, a careful examination shows that on one of the forms, ISUS 3's signature appears to have initially been written in pencil, overwritten in ink, and an attempt made to remove the pencil marks.

5.44 The corresponding advisory sheet appears to have been signed by [REDACTED] in his capacity as ISUS 3's advisor.

5.45 We discussed this feature with ISUS 3 and asked whether [REDACTED] tended to first sign her name in pencil and then overwrite this in ink. ISUS 3 has told us that [REDACTED] would not have done so. Although ISUS 3 has told us that the corresponding signature looks like [REDACTED] it seems likely that she was not responsible for the signature on the corresponding advisory sheet.

Integrity of documentation – post start reviews

- 5.46 ISUS 3 joined the ISUS programme in October 2009. Documents retained by Enterprise Solutions indicate that [REDACTED] received a 12 month review at the beginning of November 2010. We discussed ISUS 3's business with [REDACTED] and [REDACTED]: told us that [REDACTED] had not been making very much money and that [REDACTED] tended to have a "couple of customers a week paying about £10/£20 each". This would equate to annual turnover of up to £2,080¹².
- 5.47 The annual review form (F507) retained by Enterprise Solutions stated that ISUS 3 had annual turnover of £13,700 and we showed the form to [REDACTED]. ISUS 3 stated that [REDACTED] would not have told Enterprise Solutions that [REDACTED] had turnover of £13,700 as this was much higher than the turnover she had generated from her business.
- 5.48 The annual review form was not signed by ISUS 3, but was signed by [REDACTED]. ISUS 3 told us that she had no recollection of [REDACTED].

Integrity of information – CRM extract

- 5.49 In speaking to ISUS 3, [REDACTED] told us that [REDACTED] has ceased to trade the business which had been supported by the ISUS programme. Although [REDACTED] could not remember the precise date, [REDACTED] told us that this had been before the date of the Royal Wedding. The Royal Wedding took place in April 2011. According to the CRM extract, ISUS 3 is "still trading". We understand that the extract was produced at the end of the programme in or around the end of 2011.
- 5.50 It would seem, therefore, that the CRM extract may contain inaccuracies concerning ISUS 3's trading status. This raises a question concerning the reliability of statistics compiled from CRM.

Cross selling

- 5.51 We understand from ISUS 3 that she purchased business cards from Enterprise Solutions and that other services such as the sale of leaflets were also promoted by Enterprise Solutions.

ISUS 4

- 5.52 ISUS 4 shares a similar name with one of the ISUS Applicants raised by A1/A2. However, having obtained a copy of the corresponding file, we have since established that this was not the file we had been looking for. However, it is an important file as it contains serious anomalies.

Integrity of documentation – business start and awareness sessions

- 5.53 Enterprise Solutions "pre-start record" (F503) refers to 23 hours of support provided to ISUS 4. The largest individual part involving 18 hours of "awareness sessions". Records retained by

¹² £20 x two customers x 52 weeks

Enterprise Solutions indicate that ISUS 4 undertook an awareness session and four business start sessions in October 2008 and we note that 5 x 3 hours – 18 hours.

5.54 We have discussed this information with ISUS 4 [REDACTED] has stated that, although [REDACTED] does recall taking part in sessions such as these [REDACTED] had been born in 2008 and [REDACTED] had been on maternity leave in October 2008. ISUS 4 told us that she had not attended the courses whilst on [REDACTED]

5.55 Enterprise Solutions records indicate that ISUS 4 joined the ISUS programme in October 2010. ISUS 4 has told us that [REDACTED] attended the awareness sessions (which were not part of the ISUS programme) approximately a year before joining the ISUS programme and that this would, therefore, have been at some point during 2009. ISUS 4 is confident, therefore, that the dates shown on the Enterprise Solutions records concerning "business start and awareness sessions" we have showed [REDACTED] are inaccurate.

5.56 We have asked Enterprise Solutions for the course registers associated with these sessions, but have not had a response to this request.

Integrity of documentation – training needs analysis

5.57 As explained from paragraph 4.66, the Business Start Up service specification envisaged that Stage 3 of the "client journey" would involve a training needs analysis.

5.58 Based on the contents of the forms retained by Enterprise Solutions; a training needs analysis form (F510) should have identified the areas where ISUS 4 required training. The forms did not require an applicant's signature but should, presumably, have been discussed with the applicant.

5.59 ISUS 4's training needs analysis indicates that [REDACTED] needed training in "health and safety". ISUS 4 explained that [REDACTED] had been a [REDACTED] and that she would not have needed training in an area such as this, especially as [REDACTED] business idea had involved [REDACTED] and was, therefore, related to [REDACTED] existing professional expertise.

Integrity of documentation – advisory sheets

5.60 In addition to the awareness sessions, Enterprise Solutions records suggest that [REDACTED] received support from [REDACTED] during four sessions and from [REDACTED]

5.61 The advisory sheets each refer to a "session duration" of one hour. One of the sheets is undated. The other four are dated:

- 20 October 2010;

- 9 February 2011;
- 16 February 2011; and
- 27 April 2011.

5.62 ISUS 4 has told that, after attending the awareness sessions, the next time [REDACTED] visited Enterprise Solutions' offices was to provide Enterprise Solutions with evidence that [REDACTED] had opened a business bank account. Records retained by Enterprise Solutions show that ISUS 4 opened its business bank account on 7 April 2011. On this basis, three of the four sessions listed above could not have taken place as they purportedly took place before ISUS 4 opened its business bank account.

5.63 Four of the five advisory sheets refer to ISUS 4's business plan and indicate that [REDACTED] and [REDACTED] viewed the business plan with ISUS 4:

- Undated: "ISUS 4 and I have been through [REDACTED] business plan and looked at the areas that need amending. We have also looked at the costings and I have advised ISUS 4 to book back to complete [REDACTED] financial forecast."
- 9/2/11: "ISUS 4 and I have been through her business plan and I have suggested a couple of amendments which she will email over to me."
- 16/2/11: "ISUS 4 has attended today for help with their business plan. Overall the plan is OK but certain areas need some development. ISUS 4 is struggling with the financial forecasts for the plan."
- 27/4/11: "I am satisfied that the business plan and cashflow forecast meet the standard of the ISUS programme." The advisory sheet made no reference to any advice provided during this meeting.

5.64 ISUS 4 has told us that [REDACTED] only generated one version of her business plan. On that basis, it might be said that the narrative concerning three of the sessions cannot be accurate unless they discussed the same business plan at all four sessions.

5.65 On showing ISUS 4 a copy of the papers retained by Enterprise Solutions, [REDACTED] could recall [REDACTED] and told us that she had met [REDACTED] twice. However, ISUS 4 has no recollection of [REDACTED]

- 5.66 We have asked Enterprise Solutions to provide us with a copy of the various business plans purportedly discussed with ISUS 4, but have not had a response to this request.

Integrity of documentation – post start reviews

- 5.67 Enterprise Solutions' records suggest that ISUS 4 received three post start reviews. ISUS 4 is confident that [REDACTED] received only one such review.

- 5.68 With reference to a review which purportedly took place on 24 May 2011, we note that this stated that ISUS 4's "business has started very well indeed". ISUS 4 has stated that [REDACTED] does not recall this review and that [REDACTED] would not have made this comment as she only received her first client in July 2011. ISUS 4 can recall that, prior to obtaining a first client, she had been concerned about [REDACTED] new business. It is unclear therefore, why the review had indicated that the business had been going well.

- 5.69 The review dated 24 May 2011 did not state which Enterprise Solutions employee had undertaken the review. Whilst we are not handwriting experts, it would seem that the review may have been undertaken by [REDACTED]. We have discussed [REDACTED] in more detail from paragraph 7.17.

- 5.70 With reference to a six month review. This was dated b [REDACTED] on 12 October 2011, and an extract from the six month review form is included here.

Section 5: Supplier Use Only			
Supplier Signature:	[REDACTED]	Date:	12.10.2011
Name:	[REDACTED]	Organisation:	ENTERPRISE SOLUTIONS (NN) Ltd

- 5.71 However, the review was also dated 27 October 2011:

Review Period (3 or 6 month):	6	Review Date:	27.10.2011	Business Start Date:	28.04.11
Contact Method:	Face to Face <input type="checkbox"/> Other <input checked="" type="checkbox"/>				

- 5.72 Whilst we might have understood why the form might have been completed after the underlying review, we would not have expected the form to have been dated (and presumably, therefore, completed) before the review had taken place. It is unclear therefore why the form was dated 12 October 2011 before the review took place on 27 October 2011.
- 5.73 With reference to the six month review, we note that this recorded that ISUS 4 had "taken on 3 new members of staff". ISUS 4 told us that, for this comment to have been accurate, she would have needed to have employed five people by the time of the review in October 2011. ISUS 4 told us that, as far as she could recall, she had only two members of staff at this point. ISUS 4's recollection is, therefore, inconsistent with the records prepared by Enterprise Solutions.

Cross selling

- 5.74 ISUS 4 confirmed th [REDACTED] had received a £500 grant, but she used this money to purchase leaflets from Enterprise Solutions and described the payment as having been the:

"most ridiculous money we have ever spent".

5.75 We understand from ISUS 4 that she received a box of leaflets in exchange for her £500. She has told us that around half of the leaflets she purchased went unused and that, with hindsight, she could have obtained them from another supplier for a "fraction of the price" charged by Enterprise Solutions.

5.76 ISUS 4's partner told us that the payment had been made on the recommendation of Enterprise Solutions and explained that the leaflets:

"turned out to be useless...I didn't like the feel of it to be honest".

5.77 ISUS 4 has told us that Enterprise Solutions did not point out that alternative suppliers might have been available.

ISUS 5

Integrity of documentation – client idea questionnaire

5.78 We have reviewed a document known as a "client idea questionnaire" associated with ISUS 5. This included the question:

"How many employees will you have after three years?"

5.79 The corresponding box has been ticked to indicate that ISUS 5 had anticipated having two to 15 employees. ISUS 5 has told us that [REDACTED] never anticipated employing anyone.

5.80 The questionnaire also asked ISUS 5:

"What support do you need?"

5.81 The questionnaire indicated that [REDACTED] needed help with [REDACTED] business plan. We have discussed this with ISUS 5 who has told us that [REDACTED] had not wanted help with [REDACTED] business plan and that [REDACTED] did not believe that [REDACTED] needed a business plan and that [REDACTED] went:

"through the motions of creating a plan."

5.82 ISUS 5 also told us that [REDACTED] created a business plan at the suggestion of [REDACTED]. We note that two of the three hours of pre-start support provided to ISUS 5 involved work on financial forecasts and a business plan.

5.83 ISUS 5 has told us that [REDACTED] has never used the business plan produced [REDACTED] suggestion, for example, to support a loan application or to monitor the financial progression of [REDACTED] business as a self-employed sub-contractor.

- 5.84 Thus, assuming that WBC has paid for pre-start support for ISUS 5, much of this support does not appear to have been wanted and the corresponding output has not been useful.

Integrity of documentation – training needs analysis

- 5.85 A training needs analysis form indicated that ISUS 5 had a training need concerning "market research". ISUS 5 has described this as:

"nonsense

never going to expand

the best I was ever going to do was go around the people I already knew."

Integrity of documentation – business start date

- 5.86 According to Enterprise Solutions' records, ISUS 5 joined the ISUS programme on 6 October 2009, having a "pre-start" entry point. In order to evidence that ISUS 5 had started trading, Enterprise Solutions appear to have obtained a copy of the following sales invoices belonging to ISUS 5:

- Invoice 2: dated 20 October 2009
- Invoice 3: dated 21 October 2009.

- 5.87 ISUS 5's first sales invoice is not on Enterprise Solutions' file. We have discussed this with ISUS 5 who reviewed [redacted] records with us. Although [redacted] did not have invoice number 1 to hand, he showed us his bank statements and told us that these show the first paid income into his bank account (£250) on 29 September 2009.

- 5.88 Thus, it would seem that ISUS 5 had started trading before he joined the ISUS programme. It is unclear why Enterprise Solutions [redacted] (ular¹³) did not collect a copy of ISUS 5's first sales invoice.

- 5.89 As shown by the summary at paragraph 4.75 and the comments which follow it, whether ISUS 5 was an existing business at the time when [redacted] joined the ISUS programme may have had a significant impact on the payment Enterprise Solutions would have expected to receive in relation to ISUS 5. However, we note that Enterprise Solutions defined ISUS 5's entry to the programme as "pre-start" as opposed to "post-start".

¹³ "claim forms" which "evidence" that ISUS 5 had started trading were signed [redacted] on behalf of Enterprise Solutions

- 5.90 Unfortunately, the lack of access to the full version of CRM, reconciled to Enterprise Solutions' invoices means that we do not know whether Enterprise Solutions charged WBC for the £1,144 fee per Target summarised in the table at paragraph 4.75.

Integrity of documentation – post start reviews

- 5.91 We have showed a copy of a 24 month annual review form to ISUS 5. This referred to annual turnover of £48,000. ISUS 5 has told us that annual turnover has never exceeded £28,000 and that profits have been in the region of £12,000.
- 5.92 ISUS 5 responded to the contents of the 24 month annual review form as follows:

"load of rubbish...they've just made it up".

Quality of post start support – tax returns

- 5.93 ISUS 5 has told us that his accounts and tax returns were, initially, completed by Enterprise Solutions on his behalf. [redacted] has also told us that [redacted] did not pay for this service. The extract from CRM we have been given indicates that ISUS 5 received "post-start" support. Correspondence between Enterprise Solutions and WBC indicates that this related to the presentation of ISUS 5's tax returns. However, we could find no reference to the tax return within Enterprise Solutions' records.
- 5.94 ISUS 5 has shown us a personal tax bill which was dated 23 February 2012. This referred to just one year's tax which totalled £6,442 and related to [redacted] third year of trade as self-employed. ISUS 5 told us that [redacted] recognised that the tax bill could not have been accurate as it accounted for around half of his annual income. Whilst we have not seen Enterprise Solutions' working papers or otherwise discussed this matter with the company, it would seem that they either (or perhaps both) significantly overstated ISUS 5's income or failed to account for a basic part of a tax return, the personal allowance.
- 5.95 ISUS 5 has told us that [redacted] has since appointed another accountant and that the tax bill was reduced from £6,442 to approximately £1,200. ISUS 5 has told us that [redacted] and not Enterprise Solutions has paid for his new accountant's time.
- 5.96 We have asked Enterprise Solutions for copies of the tax returns produced by Enterprise Solutions on behalf of ISUS 5, including the corresponding working papers. This request has not been fulfilled.

Cross selling

- 5.97 ISUS 5 has told us that Enterprise Solutions had copies of Quickbooks accounting software for sale. ISUS 5 has told us that [REDACTED] did not buy his copy from Enterprise Solutions and that the Enterprise Solutions employee [REDACTED] met, when told by ISUS 5 that he already had a copy, was a "bit miffed".

ISUS 6

- 5.98 As explained from paragraph 5.6, we have been unable to speak to ISUS 6 and onwards.

Integrity of documentation – claim forms

- 5.99 There are two claim forms on Enterprise Solutions' file for ISUS 6. In itself, this may not be anomalous as it seems that Enterprise Solutions may have been required to submit claim forms to evidence that a) "intensive support" has been provided and b) the corresponding business had started trading.
- 5.100 We note that both forms are dated 2 November 2009 by both the applicant and [REDACTED] and refer to the collation of two sales invoices to demonstrate that ISUS 6's business had started trading. This contrasts with the invoices retained by Enterprise Solutions as these are dated 7 and 8 November 2009 (invoice numbers 2 and 3). This might suggest that the claim forms had been completed and dated [REDACTED] before the invoices to which they seem to refer had been created.

ISUS 7

Integrity of documentation – advisory sheets

- 5.101 As explained from paragraph 5.126, the contents of an advisory sheet concerning ISUS 7 was pre-typed and signed by [REDACTED]. The content of ISUS 7's advisory sheet is very similar to that of ISUS 12. We have referred to the similarities in more detail below.

¹⁴ although we note that the date of the applicant's signature has been amended, possibly from 11 November 2009 to 2 November 2009

Integrity of documentation – advisory sheets and business start date

- 5.102 An advisory sheet completed by [REDACTED] 13 January 2010 referred to a "session duration" of one hour and 20 minutes and includes the narrative:

"ISUS 7 has completed [REDACTED] business plan [our emphasis] it meets the criteria of the ISUS program.

We have today completed the paperwork to sign [ISUS7] off.

ISUS 7 needs to provide evidence [REDACTED] business bank account and UTR to enable us to process [REDACTED] grant application."

- 5.103 This contrasts with the business plan retained on the file retained by Enterprise Solutions which includes an incomplete business plan dated 5 January 2010. The business plan is incomplete as it includes the following comments:

- Page 6 *"Specific Objectives for year 1 including turnover and profit...Year: Turnover ?????...Profit ????????"*
- Page 21 *"Detailed Marketing Plan with Costs NEED TO DO THIS MORE DETAILED!!!!"*

- 5.104 It is also noteworthy that page 10 of the business plan also indicated that the copy retained by Enterprise Solutions was incomplete as it stated:

"[XXX] has been up and running in business now since October 2009 - am I allowed to say this for FUNDING???? Or should I just say ready??"

- 5.105 The answer to ISUS 7's question should have been the [REDACTED] should have referred to the accurate date when the business had started. On this basis [REDACTED] would still have been entitled to advice under the ISUS programme. However, it may have had a bearing on the payment Enterprise Solutions received from WBC. This is because Enterprise Solutions records show that ISUS 7 joined the programme on 23 November 2009 and classified ISUS 7 as "pre-start", rather than "post-start".

Quality of advice: post start

5.106 The extract from CRM indicates that ISUS 7 received post-start support and the records retained by Enterprise Solutions indicate that this included support with the preparation of a tax return. The tax return and the underlying working papers are not on the file made available to us by Enterprise Solutions and we cannot, therefore, comment on the quality of the post-start advice as far it relates to support with a tax return.

5.107 We have asked Enterprise Solutions for the documents which evidence the post-start support provided to ISUS 7, but this request has not been fulfilled.

ISUS 8

Integrity of documentation – business start date

5.108 According to Enterprise Solutions' records, ISUS 8 joined the ISUS programme on 25 October 2010, having a "pre-start" entry point.

5.109 Enterprise Solutions obtained a copy of a tenancy agreement for ISUS 8 which shows that the first payment under the tenancy agreement had been due on 1 September 2009, ie more than a year before joining the ISUS programme. Although ISUS 8 has not allowed us to speak face to face, we were told by phone that ~~_____~~
~~_____~~

5.110 In order to evidence that ISUS 8 had started trading, Enterprise Solutions appear to have obtained a copy of an Employer Liability Insurance policy which commenced on 1 September 2010 and a purchase invoice which is dated 1 October 2010. This contrasts with a joining date of 25 October 2010, and possibly more importantly, a "pre-start" entry point.

5.111 Unfortunately, the lack of access to the full version of CRM, reconciled to Enterprise Solutions' invoices means that we do not know whether Enterprise Solutions charged WBC for the £1,144 fee per Target summarised in the table at paragraph 4.75.

ISUS 9

Integrity of documentation – dates of signatures

- 5.112 A "client checklist" included within Enterprise Solutions' records indicate that a "file check" took place on 12 May 2011. The outcome of the file check seems to have been that someone¹⁵ recognised that:

"No session duration or date on F406 [a form of advisory sheet] for desk work".

- 5.113 A second "file check" appears to have taken place on 20 July 2011. Based on the contents of a report issued by A4e, this corresponded with the first date of fieldwork undertaken by A4e which started on 20 July 2011 and finished on 25 July 2011.

- 5.114 Working papers produced by A4e show that they reviewed ISUS 9's file at some point during the July 2011 supplier audit. A4e's working paper also recognised that the F406 did not refer to the duration of the corresponding activity. This contrasts with the F406 which refers to "deskwork"¹⁶ which is currently on Enterprise Solutions' file. The narrative on the form has been typed and refers to a time of hour and 15 minutes.

- 5.115 The form has also been dated by hand but dated 21 March 2011, ie before the date (12 May 2011) on which Enterprise Solutions recognised that the schedule had not been dated. Thus, it would seem that the F406 which refers to "deskwork" has been completed after the deskwork had taken place, and probably after A4e completed their fieldwork on 25 July 2011.

Integrity of documentation – business start date

- 5.116 According to Enterprise Solutions' records, ISUS 9 joined the ISUS programme on 21 March 2011, having a "pre-start" entry point.
- 5.117 Enterprise Solutions' file includes copies of some of ISUS 9's business bank statements. These refer to the period from 3 February 2011 to 2 March 2011 and make reference to commission received on 10 February 2011, ie more than a month before ISUS 9 joined the programme. It is unclear, therefore, why Enterprise Solutions' records refer to this applicant as having a "pre-start" entry point.

¹⁵ presumably someone from Enterprise Solutions, but possibly A4e

¹⁶ There are two "F406" forms on this file. One indicates that the form had been completed during or after a meeting with ISUS 8, the other specifically refers to "deskwork".

Reliability of Information presented to A4e

- 5.118 It has been averred by A1 and A2 that A4e gave Enterprise Solutions a list of ISUS applicants whose files A4e had wished to review and that A4e did so in advance of their review. Although we have asked A4e for their support and, in particular, a list of the files they reviewed, this support has not been forthcoming. However, based on an A4e working paper supplied to us by WBC, it would seem that A4e had asked to review ISUS 9's file.
- 5.119 A1 and A2 have told us that they were instructed to update files ahead of an A4e supplier audit by Linda Turnbull, one of Enterprise Solutions' directors.
- 5.120 A1 and A2 have told us that he and A2 prepared revised financial forecasts ahead of the A4e review. We asked A1 how we would know if he or A2 had updated a file ahead of the A4e supplier audit. A1 referred us to the format of the financial forecast and provided a description of the contents/appearance of the model used.
- 5.121 The format described by A1 is different to the other forecasts we have seen on ISUS files and is consistent with the forecast retained on ISUS 9's file. Based on the dates contained within ISUS 9's file, it should have been prepared several months before the date of the A4e supplier audit. Whilst insufficient to reach a definitive conclusion, this would suggest that A1 and A2's comments that they updated or corrected files ahead of an A4e audit have substance. We have been unable to corroborate the contention that this was done on Ms Turnbull's instruction.

ISUS 10

Integrity of documentation – claim forms

- 5.122 As with ISUS 6, there are two claim forms on Enterprise Solutions' file for ISUS 10.
- 5.123 It seems to us that, with reference to ISUS 10, some of the written contents of the claim form were incomplete at the point when the form was signed by ISUS 10, and then photocopied. This is because the signatures for ISUS 10 are in the identical part of both claim forms. Thus, it would seem that the contents of either or both of the forms retained by Enterprise Solutions are not the same as the contents of the forms at the time when they were signed by ISUS 10.

ISUS 11

Completeness of records: pre-start support

- 5.124 As explained from paragraph 4.75, in order to merit payment for "start-up" support, Enterprise Solutions needed to provide at least three hours of intensive support.

- 5.125 Although ISUS 11 had attended awareness sessions and business start courses more than six months before joining the ISUS programme we are unclear whether Enterprise Solutions was paid under a separate contract for these sessions/courses. Enterprise Solutions' file suggests that only two hours and 10 minutes of one to one support was provided to ISUS 11, ie potentially less than the three hour minimum.

ISUS 12

Integrity of documentation – advisory sheets

- 5.126 In reviewing advisory sheets, it seems that the content for the ISUS applicants we have reviewed is often very similar and, especially where completed by [REDACTED] these are often include a typed narrative.
- 5.127 We have included an extract from an advisory sheet completed by [REDACTED] concerning ISUS 12 here (name of ISUS 12 has been redacted).

[REDACTED] has completed the course and is now ready to commence the ISUS program.

We have completed the client eligibility check and I have explained the Client Declaration & Charter.

[REDACTED] is ready to complete his business plan and we have today discussed the Financial Forecasts required for the business plan.

[REDACTED] is confident he can produce his business plan. I have printed the relevant Cobweb reports, to assist [REDACTED] in the market research for his plan.

- 5.128 The content of this advisory sheet is word for word the same as that of an advisory sheet relating to ISUS 7 (also prepared by [REDACTED]); the only difference being that ISUS 7's advisory sheet included an additional sentence of 15 words concerning ISUS 7's experience.

Integrity of documentation – business start dates

- 5.129 According to Enterprise Solutions' records, ISUS 12 joined the programme on 2 October 2009 and was classified as having been a "pre-start" entrant to the programme. This contrasts with records retained by Enterprise Solutions (being a letter from HMRC, and a copy cheque) which were both dated 18 September 2009. Thus, it would seem that ISUS 12 had set up in business before joining the ISUS programme and should, perhaps, have been accounted for as a "post-start" entrant, rather than "pre-start".

Integrity of documentation – claim forms

- 5.130 As with ISUS 6 and ISUS 10, there are two claim forms on Enterprise Solutions file for ISUS 12.
- 5.131 It seems to us that, with reference to ISUS 12, some of the written contents of the claim form were incomplete at the point when the form was signed by ISUS 13, and then photocopied. This is because the signatures for ISUS 13 are in the identical part of both claim forms. Thus, it would seem that the contents of either or both of the forms retained by Enterprise Solutions are not the same as the contents of the forms at the time when they were signed by ISUS 13.

Tax returns

- 5.132 [REDACTED] wrote to WBC by email on 24 August 2011. The email was titled "RE: HMRC RETURNS AND ISUS" and stated that:

"On the 1st August from my investigation so far I believed that since the beginning of the programme there were roughly 7-9 clients who we had claimed post start support for which related to the submission of year end tax returns."

- 5.133 The email attached a list of six "tax returns submitted with ISUS support" and this list included ISUS 12. The list stated that no tax or fines were due against ISUS 12.
- 5.134 In reviewing ISUS 12's files as provided to us by Enterprise Solutions we have been unable to locate the corresponding tax return(s) for ISUS 12 and Enterprise Solutions' working papers. We do not know whether: [REDACTED] advice that no tax or fines were due in relation to ISUS 12 was correct.
- 5.135 We have asked Enterprise Solutions to provide us with their copy of ISUS 12's tax return and their own working papers. Enterprise Solutions has not provided us with these documents.

Integrity of documentation – post-start reviews

5.136 A2 has told us that the post start review forms which [REDACTED] undertook were not always dated by him. [REDACTED] has averred that one of Enterprise Solutions' directors told [REDACTED] from time to time:

- not to date the form. [REDACTED] completed so that [REDACTED] could do so herself;
- to amend dates; and
- to re-write otherwise completed forms.

5.137 A2 has given us a copy of [REDACTED] diary. This refers to the same date as a 78 week review undertaken by A2. Whilst we do not know who did date the 78 week review form, the handwriting of the date does not (according to A2) belong to him.

ISUS 13

Integrity of documentation – claim forms

5.138 As with ISUS 6, ISUS 10 and ISUS 12, there are two claim forms on Enterprise Solutions file for ISUS 13.

5.139 It seems to us that, with reference to ISUS 13, some of the written contents of the claim form were incomplete at the point when the form was signed by ISUS 13, and then photocopied. This is because the signatures for ISUS 13 are in the identical part of both claim forms. Thus, it would seem that the contents of either or both of the forms retained by Enterprise Solutions are not the same as the contents of the forms at the time when they were signed by ISUS 13.

Integrity of documents – advisory sheets

5.140 An advisory sheet dated 2 October 2009 states that:

"we have completed the client eligibility check".

5.141 This is in contrast to the date of the "client eligibility" paperwork retained by Enterprise Solutions which is dated 21 October 2009, ie more than two weeks after the meeting in which the check purportedly took place.

Integrity of documentation – post-start reviews

5.142 A2's diary indicates that he undertook a 78 week review concerning ISUS 13. However, this is not consistent with the paperwork retained by Enterprise Solutions as this indicates that the review had been undertaken by [REDACTED]

PREDECESSOR TO ISUS

5.143 As explained from paragraph 4.88, ISUS was not the first business start-up programme delivered by Enterprise Solutions on WBC's behalf. We have not located a copy of the contract between WBC and Enterprise Solutions which preceded ISUS. However, as far as we can tell, the two programmes were similar involving an element of pre-start support, post-start support and monitoring, and the provision of a grant to the applicant, Enterprise Solutions charging a fee for their services.

5.144 We have reviewed three applications which pre-date the ISUS programme. These are referred to as PISUS 1, PISUS 2 and PISUS 3.

PISUS 1 AND PISUS 2

5.145 A1 contacted us after we first met to tell us that [REDACTED] had since spoken to a former employee of Enterprise Solutions who had told [REDACTED] that an employee at Enterprise Solutions had received a grant to support a business which had not existed.

5.146 We have spoken to the former employee (E1). E1 has told us that, whilst employed by Enterprise Solutions, E1 had access to a database used to manage reviews undertaken on behalf of WBC. From the database, E1 had been aware that a husband and wife had received two grants from WBC for business start-up support. E1 has told us that E1 had understood that the applicants had only one business.

5.147 E1 has told us that PISUS 1 had been involved in cleaning Enterprise Solutions' offices and gave us the name of a company which E1 said had cleaned Enterprise Solutions' offices. A1 has told us that PISUS 1 had a contract to clean Enterprise Solutions' offices before this was terminated. At that point PISUS 2 became an Enterprise Solutions employee, cleaning the offices.

5.148 E1 has told us that PISUS 2 had been a cleaner at Enterprise Solutions until Christmas 2011 when PISUS 2 had been made redundant. E1 told us that PISUS 2 had worked at Enterprise Solutions for four years.

5.149 We therefore reviewed the corresponding applications for grants from PISUS 1 and PISUS 2 in order to ascertain, initially, whether a husband and wife team had received two grants from WBC. WBC provided us with copies of the files retained by WBC for PISUS 1 and PISUS 2.

*

5.150 The files show that PISUS 1 completed a registration form in November 2004 and that the intended business had been a "commercial cleaning & domestic" business whose company name matched the name provided by E1. The PISUS 1 file indicated that Mike Raworth had advised PISUS 1. PISUS 1 provided a business plan and received two payments from WBC which totalled £1,000.

5.151 The files show that PISUS 2 entered an agreement with WBC in June 2008 and that the intended business had been a "jet washing" business. Mike Raworth signed the agreement as "advisor". PISUS 2 did not provide a business plan but received two payments which totalled £2,000.

5.152 The PISUS 1 and PISUS 2 files show that they were each made by people who share the same surname and the same address.

5.153 The PISUS 2 file includes periodic post start reviews at 13 weeks, six months and one year. The six month review includes the comment:

"As winter approached he changed emphasis to commercial cleaning."

5.154 The six month review, undertaken by Mike Raworth appears to suggest that within six months of opening, PISUS 2 and PISUS 1 had started to share the same industry.

5.155 We have spoken to PISUS 2 by phone. Initially, PISUS 2 told us that he had not received a grant from WBC and then suggested that he might have had a grant for a loft installation, and that he had a business.

5.156 Later in the conversation, PISUS 2 recalled having a jet washing business and received a grant for that business. We discussed how PISUS 2 had used the grant and were told that he had used it to purchase "equipment and stuff", and "cleaning fluid". PISUS 2 could not be more specific but did tell us that he had a jet washing business:

"didn't pan out: just tried for a few months until winter".

5.157 The 12 month review of PISUS 2 and undertaken in June 2009 (ie the Summer of 2009) was also completed by Mike Raworth, but the contents seem to be in contrast to what PISUS 2 told us. This is because the 12 month review included the comment:

"PISUS 2' business expanded at a reasonable pace but has been recently affected by the economic downturn."

5.158 Based on what we had been told and what we had read, we wrote to PISUS 2 to ask to speak face to face¹⁷. Our request went unfulfilled.

5.159 A1 has since told us that he had been the accountant to PISUS 1 and PISUS 2 and had prepared their annual tax returns. A1 has told us that he is reluctant to break his professional responsibilities by disclosing these documents until/unless the Police get involved. However, he has told us that the tax returns help to demonstrate that PISUS 2 declared no taxable earnings from his jet washing business. Without sight of the corresponding tax returns and working papers we cannot comment on their significance.

5.160 A1 (until leaving Enterprise Solutions, A1 had been [REDACTED] has also stated that PISUS 1 had a contract to clean Enterprise Solutions' premises until the beginning of 2011 before PISUS 2 became an Enterprise Solutions employee. A1 has told us that [REDACTED] saw both PISUS 1 and PISUS 2 on a regular basis cleaning Enterprise Solutions' offices at Commerce Park (PISUS 2 typically attending Enterprise Solutions on each day of the working week and PISUS 1 typically attending once a week).

5.161 It is unclear, therefore, whether PISUS 2 should have received a grant from WBC.

PISUS 3

5.162 PISUS 3 has explained that [REDACTED] undertook a series of training courses at Enterprise Solutions' premises which [REDACTED] had understood had been funded by WBC.

Cross selling

5.163 PISUS 3 has referred us to the "cross selling" to which he had been subject and has told us that [REDACTED] has spent the following with Enterprise Solutions after attending training:

- approximately £1,000 on advertising leaflets supplied by Enterprise Solutions under a "Think Local" brand;
- approximately £70/£80 on accounting software supplied by Enterprise Solutions known as Quickbooks; and
- a monthly direct debit of £15 a month paid for several years (up to the present day) for accounts support.

¹⁷ by recorded delivery

5.164 PISUS 3 has told us that he can recall the Think Local brand being promoted whilst attending a "marketing and advertising" course funded by WBC. He has told us that, shortly after completing the course, [REDACTED] was contacted by Enterprise Solutions and persuaded to purchase the service.

5.165 PISUS 3 has told us that, in [REDACTED] capacity as a locksmith, with hindsight [REDACTED] can see that the use of leaflets to promote [REDACTED] business was a mistake as people who need the use of a locksmith respond to an unexpected need for his services, rather than making a planned decision facilitated by a leaflet. In PISUS 3's view, advertising on the internet or in the Yellow Pages is a more effective medium, and this should have been recognised by a company educating new entrepreneurs in advertising.

5.166 PISUS 3 has also told us that, after he stopped using the Think Local service, [REDACTED] continued to receive telephone calls promoting the service, maybe around 20 calls:

"certainly, they were enough to be annoying".

Quality of service

5.167 PISUS 3 had been encouraged to purchase Quickbooks from Enterprise Solutions during one of the courses [REDACTED] had participated in.

5.168 [REDACTED] has also explained that, since approximately July 2009, he has paid £15 a month to Enterprise Solutions. PISUS 3 has explained that [REDACTED] did not receive written terms of reference or any other written document setting out what [REDACTED] would receive in exchange for [REDACTED] monthly payments. However, PISUS 3 has explained that [REDACTED] had expected Enterprise Solutions to prepare his annual accounts, tax return and annual return for [REDACTED]. He has also explained that [REDACTED] had expected Enterprise Solutions to submit his tax return to HMRC on [REDACTED] behalf.

5.169 PISUS 3 had told us that Enterprise Solutions has failed to submit any tax returns for [REDACTED] and that this has resulted in fines and interest being levied against [REDACTED].

6 CONFLICTS OF INTEREST

6.1 As explained from paragraph 4.47, under paragraphs 7.1 and 7.2 of the Conditions of Contract, Enterprise Solutions warranted that it would:

- not act for any person, organisation or company where there is or likely to be a conflict of interest; and
- undertake regular conflict of interest checks, notifying the WBC in writing immediately on becoming aware of actual or potential conflicts of interest.

6.2 Paragraph 7.3 of the Conditions of Contract entitled WBC to terminate its agreement with Enterprise Solutions in the event of a breach of Clause 7.1 or if:

"the Authority is not satisfied on the issue of any conflict of interest in accordance with Clause 7.2".

6.3 [REDACTED] applied to join the ISUS programme on 1 February 2011 and set up a business called [REDACTED] 28 February 2011.

6.4 In order to discuss the background to [REDACTED] we have needed to refer to a range of businesses associated with him. Given the complexity associated with [REDACTED] background and his relationship with Enterprise Solutions and its staff and a director, we have not anonymised [REDACTED]'s name. Before responding to a request under the Freedom of Information Act, or otherwise making this report public, WBC should consider redacting his name and the companies associated with him.

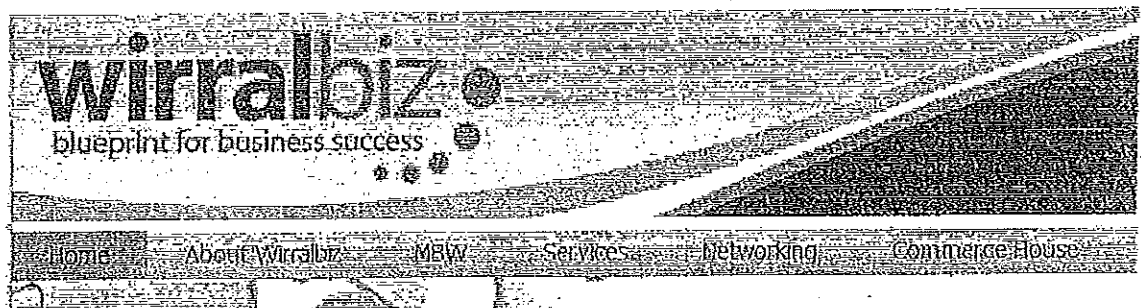
6.5 During the course of our work, we tried to get in touch with [REDACTED] in order to discuss [REDACTED] involvement with the ISUS programme but failed to do so as [REDACTED] did not reply to our request.

ONE CULTURE

6.6 In order to evidence that [REDACTED] had started trading [REDACTED] appears to have submitted a certificate of incorporation.

6.7 Companies House records show that [REDACTED] was incorporated on 21 January 2011, ie before [REDACTED] applied to join the ISUS programme at the end of February 2011.

- 6.8 [REDACTED] appears to have five entries on Companies House with addresses in the Wirral and also in [REDACTED], ie outside of the Wirral. It is unclear, therefore, whether [REDACTED] was entitled to support under the ISUS programme as provided by WBC. That [REDACTED] had several addresses, one of which was outside of the Wirral, should have been apparent to Enterprise Solutions staff from a brief review of Companies House records.
- 6.9 Companies House records also show that [REDACTED] has registered several businesses at Commerce House, Commerce Park, Birkenhead. For example, [REDACTED] was registered to this address from incorporation on [REDACTED] before Mr Lavji applied to join the ISUS programme on 28 February 2011 [REDACTED] and [REDACTED] have also been registered at Commerce House.
- 6.10 Companies House records also show that a company called [REDACTED] was registered at Commerce House from 4 November 2010 until its dissolution in December 2012. We have discussed this business in more detail from paragraph 6.22.
- 6.11 Commerce House, Commerce Park, Birkenhead is also Enterprise Solutions' address.
- 6.12 The link on the right hand side of the extract from Enterprise Solutions' website, ie to Commerce House currently takes internet users to www.commercehousewirral.co.uk. This website offers a range of business services including serviced offices, meeting rooms and virtual offices. It would seem therefore that [REDACTED] is at Commerce House.



6.13 According to Enterprise Solutions' records, [REDACTED] received advice from [REDACTED] n of Enterprise Solutions on 1 February 2011, 9 February 2011, and 25 February 2011; each piece of advice involving one to one meetings involving one hour of [REDACTED] time. The second and third of the advisory sheets referred to [REDACTED] business plan, the second advisory sheet stating that:

[REDACTED] has attended today for help with their business plan."

6.14 In support of [REDACTED]'s application, he appears to have submitted a business plan titled [REDACTED] 1". The front page of the plan referred to a website [REDACTED]. Publicly available information shows that this website was first registered in March 2010.

6.15 The business plan itself refers to the [REDACTED] 1" and states that [REDACTED] I had started in 1999 and that the [REDACTED] tival became known as the [REDACTED] al in 2007. Furthermore, rather than being a business plan, it seems to have been a document prepared to promote financial sponsorship in the [REDACTED]

6.16 It seems doubtful, therefore, what support [REDACTED] could have given to [REDACTED] when helping him with his business plan given that:

- the football festivals appear to have been in operation since 1999; and
- the "business plan" resembles a request for sponsorship, rather than a business plan.

6.17 Post start up reviews were provided by Enterprise Solutions after one, three, six, and nine months, each of these indicated that [REDACTED] s trading reasonably successfully, the last of the reviews on 8 November 2011 stating that:

"Business still plodding along nicely no change to circumstances in [the] last few months."

6.18 This is in contrast to Companies House records which show that [REDACTED] ure has remained dormant since incorporation and has never traded.

- 6.19 The following extract from [REDACTED] accounts indicates that it has not accounted for the £500 grant it appears to have received from WBC and has remained dormant since incorporation:

[REDACTED] Registered Number 07500603

Balance Sheet as at 31 January 2012

	2012
Called up share capital not paid	£ 1
Net assets	1
Issued share capital	
1 Ordinary Share of £1 each	1
Total Shareholder funds	1

- 6.20 Companies House records show that a private company limited by guarantee was incorporated on 9 August 2011 called [REDACTED] ie whilst Enterprise Solutions continued to have a relationship with [REDACTED] via the ISUS programme.

- 6.21 Companies House records show that [REDACTED] Commerce House and that its directors were:

[REDACTED]

[REDACTED] d

[REDACTED]

[REDACTED]

- 6.22 As explained from paragraph 6.14, [REDACTED] submitted a business plan titled [REDACTED] as part of his involvement with the ISUS programme.

- 6.23 As explained at paragraph 6.10, a company known as [REDACTED] was registered at Commerce House. Companies House records show that [REDACTED] was incorporated on 3 September 2010.

- 6.24 [REDACTED] annual return dated 3 September 2011 shows that two Enterprise Solutions employees [REDACTED] and one of its directors (Mike Raworth) held shares in it, as summarised here:

Shareholder name	Number of shares	% shareholding
[REDACTED]	50	5.0
Mike Raworth	50	5.0
[REDACTED]	50	5.0
[REDACTED]	100	10.0
[REDACTED]	35	3.5
[REDACTED]	50	5.0
[REDACTED]	25	2.5
[REDACTED]	25	2.5
[REDACTED]	615	61.5
	1,000	100.0

- 6.25 The summary shows that the largest shareholder in [REDACTED] is [REDACTED]

- 6.26 Companies House records show that [REDACTED] was a director of [REDACTED] from 1 December 2005 until 31 August 2011 and that the company's shareholding was controlled by Majid Lavji until he transferred his shareholding, primarily to an [REDACTED]

Mike Raworth

- 6.27 Collectively, Mr Raworth and his two former employees controlled 13.5% of [REDACTED] share capital in September 2011, or 23.5% if [REDACTED] shareholding is included¹⁸.

- 6.28 We do not know when [REDACTED] and [REDACTED] acquired their shares in [REDACTED], but have attached a share certificate as Document 11 which shows that Mr Raworth acquired his shareholding on 14 December 2010.

- 6.29 During our review, we have been contacted by the Merseyside Special Investment Fund (MSIF). We understand from MSIF that [REDACTED] received a loan of £20,000 from MSIF in approximately December 2010, but has made no repayment to MSIF and that legal proceedings are ongoing in order to recover the loan.

6.30 We also understand from MSIF that:

- Enterprise Solutions produced the business plan provided by [REDACTED] all in support of its £20,000 loan; and
- MSIF sought evidence that Mr Raworth had invested £5,000 in [REDACTED] providing the £20,000 loan.

6.31 We have asked MSIF for access to these records in order to corroborate our understanding, but this request has been declined on grounds of data protection.

Other shareholdings

6.32 As discussed from paragraph 4.88, the ISUS programme succeeded a broadly similar scheme. Whilst we have not seen the contracts with Enterprise Solutions concerning the predecessor(s) to ISUS, it might be said that directors of Enterprise Solutions should have either avoided conflicts of interest under that scheme or reported them to WBC.

6.33 Companies House shows that Mr Raworth has been a director of Enterprise Solutions since May 2002. It also shows that he became a director of Vansafe (NW) Ltd (Vansafe) in April 2006 and was also the company secretary. Companies House shows that Vansafe did not publish an annual return or financial statements before it was dissolved in January 2008. However, records at Companies House show that Mr Raworth held a 50% shareholding in Vansafe at incorporation (Document 12). We do not know whether Mr Raworth subsequently transferred his shareholding in Vansafe.

6.34 We understand from WBC that Vansafe received a £2,000 grant from WBC which was paid during the quarter ended August 2006, by which time Mr Raworth had become a director and shareholder of Vansafe and was also a director of Enterprise Solutions.

6.35 Companies House shows that Mr Raworth became a director in Kardan Bio Recovery (Admin) Ltd (Kardan) in February 2010 and remained a director until 17 April 2010. Companies House records show that Mr Raworth was, initially, Kardan's only director and its sole shareholder (ie he owned 100% of Kardan's share capital after incorporation), see Document 13. Like Vansafe, Kardan did not publish an annual return before it was dissolved and so we do not know, therefore, whether Mr Raworth transferred his shareholding to a third party after incorporation.

6.36 We understand from WBC that Kardan received a £500 grant from WBC in April 2010, at which point Mr Raworth would appear to have owned the company and may also have been a director in it. At this point, he was also a director of Enterprise Solutions.

6.37 This may be important because it would seem that WBC provided financial support to businesses in which Mr Raworth had a direct and personal financial interest before ISUS.

6.38 It has been suggested to us that [REDACTED] worked for [REDACTED] well as Enterprise Solutions.

6.39 We have attached an email located in Enterprise Solutions' records, dated 1 March 2011, from Mr Owen titled [REDACTED] as Document 14, which stated:

"Sorry to be a pain, but we are off to Gambia in the morning and are trying to box off a few loose bits before we go."

6.40 This is consistent with an article from a Gambian newspaper dated 16 March 2011, attached as Document 15. The newspaper article explains that:

"The newly rehabilitated start-of-the-art Banjul Mini-stadium recently hosted the U15 and U19 inter-academy Mini-football festival organised by [REDACTED] under the stewardship of Kabba Ceesay."

6.41 As shown by the summary at paragraph 6.24, like Mr Raworth, [REDACTED] and [REDACTED] is a shareholder in [REDACTED]

6.42 The article continued:

"The managing director of [REDACTED] [REDACTED] emphasis], thanked all those who have made this project in The Gambia [our emphasis] a success..."

6.43 Thus, based on the information available to us, it would seem that [REDACTED] is likely to have had a relationship with [REDACTED] ji and [REDACTED] in March 2011, shortly after [REDACTED] application to join the ISUS programme.

6.44 This relationship appears to have continued during 2011 as [REDACTED] ji and [REDACTED] featured at an anti-racism event in June 2011, as shown by Documents 16 and 17, one of which stated:

"On the 22 June, the FA held the inaugural meeting of the Faith in Football Working Group at Wembley Stadium.

2

6.45 A1 has told us that, in [REDACTED] capacity as Enterprise Solution's [REDACTED] came across payments made by Enterprise Solutions to [REDACTED]. A1 has told us that [REDACTED] worked as a sub-contractor to Enterprise Solutions/Wirral Biz' "Think Local" business. A1 has told us that [REDACTED] can recall payments being made to [REDACTED] from around the end of 2010 and "certainly" from the beginning of 2011.

6.46 It has been suggested to us that Enterprise Solutions may have misused records associated with the ISUS scheme in order to promote the sale of mobile phones.

6.47 In particular, it has been suggested to us by A1 that [REDACTED] was an Enterprise Solutions tenant at Commerce House and that [REDACTED] was given confidential records such as names and telephone numbers so that he could approach ISUS applicants in order to sell them his products and services.

6.48 As our access to Enterprise Solutions' records has been withdrawn, we have been unable to view any paperwork retained by Enterprise Solutions concerning [REDACTED] v. However, the extract of the CRM database supplied by WBC shows that [REDACTED] had been a successful applicant to the ISUS programme and indicates that the application was accepted in or around 30 September 2010. It seems likely, therefore, that [REDACTED] received a £500 grant from WBC and that Enterprise Solutions are likely to have been paid for support which it may have provided to [REDACTED].

6.49 The extract from CRM links [REDACTED] to a company called [REDACTED]. Companies House records shows that [REDACTED] was the sole director in a company called [REDACTED] from its incorporation in November 2010 until its dissolution in June 2012. Companies House records also show that [REDACTED]'s registered office was Commerce House throughout its existence, but did not [REDACTED].

submit an annual return or financial statements. It would seem, therefore, that [REDACTED] likely to have been a tenant of Enterprise Solutions following its application to join the ISUS programme.

6.50 As explained from paragraph 5.30, ISUS 1 has complained that he received calls from people claiming to be from Wirral Biz attempting to sell him mobile phones/airspace.

6.51 A1 has told us that Mr Turnbull (one of Enterprise Solutions' directors) discussed the use of confidential data gleaned from the ISUS programme which had been given to [REDACTED] by Mr Raworth in order to sell airtime.

6.52 Whilst we cannot corroborate the contents of the conversations described above or whether [REDACTED] had been an Enterprise Solutions/Wirral Biz sub-contractor, it would seem likely that, either at the date of application, or at the time of post grant reviews, Enterprise Solutions had a conflict of interest concerning the ISUS programme. This is because [REDACTED] would seem to have been a tenant of Enterprise Solutions either at the time of their application to join the ISUS programme or at a time when Enterprise Solutions should have provided post start reviews.

OTHER ISUS APPLICANTS AT CAMPBELTOWN ROAD

6.53 The extract from CRM refers to an address for [REDACTED] Unit 2, Campbeltown Road, CH41 9HP. There are five other ISUS applicants listed on the CRM extract as having an address of either Unit 1, or Unit 2, Campbeltown Road, listed here:

- [REDACTED] el
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

6.54 We have not investigated these applications any further.

OTHER CONFLICTS OF INTEREST

6.55 As explained in Section 5, it would seem that Enterprise Solutions often sold a range of add on services to individuals and businesses associated with the ISUS programme as well as others supported by WBC, for example:

- promoting its offering of printed material: leaflets, business cards and advertising;
- promoting accounts preparation and tax advice.

ENTERPRISE SOLUTIONS' APPROACH TO CONFLICTS OF INTEREST

6.56 As part of our review, we have asked Enterprise Solutions to provide us with:

- a copy of its conflicts of interest policy;
- details of the "*ongoing and regular conflicts of interest checks*" contractually required of Enterprise Solutions;
- correspondence between Enterprise Solutions and WBC in which Enterprise Solutions reported actual or potential conflicts of interest.

6.57 We have not received a response to this request. We note however that a report produced by A4e, dated 11 October 2010 (first drafted in June 2010) identified that conflicts of interest checks were not being carried out "*regularly*" by Enterprise Solutions. In response to A4e's findings, Enterprise Solutions committed to "*Conflict of Interest Implementation*" by 30 September 2010.

6.58 This contractual anomaly was not reported in A4e's later report, dated 1 February 2012, and recipients of A4e's report such as WBC would have been entitled to assume that the recommendation made in 2010 had been completed.

6.59 We have spoken to WBC staff responsible for managing the ISUS programme. We understand from them that they had heard rumours concerning the cross selling of Enterprise Solutions' products to ISUS applicants, but nothing concrete (such as the names of affected applicants). They have also told us that they had not been aware of the conflicts of interest associated with [REDACTED] ISUS application or the possible misuse of confidential data in order to promote [REDACTED] business.

- 6.60 WBC staff responsible for administering the ISUS programme have told us that, had they been aware of the conflicts of interest we have identified, they would have reported these to WBC's in-house legal team. Whilst a matter for the legal team, we understand that the WBC staff responsible for the ISUS programme from a WBC perspective would have expected the contract with Enterprise Solutions to have been suspended, investigated and, in the absence of satisfactory explanations, terminated.

7 COMPETENCE

7.1 It has been suggested that the staff who performed the business start-up contracts on behalf of Enterprise Solutions were not competent. It has also been suggested that some Enterprise Solutions staff had criminal convictions which should have precluded them from working on the contract.

7.2 As explained at paragraph 4.45, Enterprise Solutions warranted that the people who delivered ISUS were:

"appropriately skilled and qualified persons who have the necessary expertise".

7.3 It might be said that the observations made in Sections 5 and 6 are sufficient reasons to conclude that individuals such as Mike Raworth, [REDACTED] and others were not qualified persons to deliver the ISUS and other programmes.

7.4 We have added to these comments concerning [REDACTED] and one other employee here. We have also made additional comments concerning [REDACTED]

7.5 It is important to note that we have asked Enterprise Solutions for the following records which have not been supplied:

- CVs for Enterprise Solutions staff as attached to Enterprise Solutions' proposal (see paragraph 4.73); and
- details, including supporting records showing training provided to Enterprise Solutions' staff.

7.6 As such, we do not know what qualifications Enterprise Solutions staff had when providing support under the ISUS and Complementary Services Programme, nor do we know what training they received after the start of the programme.

- 7.7 Similarly, despite 2 request, we have not been given a copy (soft copy or hard copy) of the database used by Enterprise Solutions to manage appointments between ISUS applicants and Enterprise Solutions staff. As such, we cannot quantify the number of ISUS applicants supported by, for example, [REDACTED]. However, based on a very small sample which may not be representative of the population, our impression is that [REDACTED] provided the majority of pre-start support and [REDACTED] undertook the majority of the post-start periodic reviews²⁰.

- [REDACTED]
- 7.8 Companies House shows that a [REDACTED] on with the date of birth of 15 January 1976 has three entries on Companies House. [REDACTED] appears to have been the director of 13 incorporated businesses, of which only two have not been dissolved/liquidated.

- 7.9 Of these, statutory accounts often appear to have been filed late or not at all. For example, [REDACTED] has been a director of Stoke-on-Trent Investments Limited since 27 April 2006.

Stoke-on-Trent Investments Limited.

- 7.10 Companies House shows that this company's statutory accounts for the years ended 30 June 2011, 2010, 2009, 2008, and 2007 were all submitted to Companies House in November 2011, some of the accounts being submitted several years overdue.
- 7.11 Companies House shows that a liquidator was appointed following a petition from HMRC on 10 October 2011 under the provisions of the Insolvency Act. Companies House records show that [REDACTED] had been the only director of this company and that it had substantial net liabilities from at least 30 June 2007.
- 7.12 It seems likely that many of the people who set up new businesses and received advice from [REDACTED] would have needed to have known what records needed to be submitted to Companies House and HMRC, and when. It is unclear whether [REDACTED] had been aware of his own responsibilities as a director and, therefore, whether he had been appropriately qualified to provide this advice to new business owners.

²⁰ Based on the monthly statements generated by the NWDA/A4c, very little post start support appears to have been provided.

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7.13 ISUS 1 has told us that he had understood from ██████████ that she was a qualified solicitor specialising in property and leases. We cannot comment on this conversation but have contacted the Solicitors Regulation Authority (the SRA). We understand from the SRA that to hold oneself out as a practicing solicitor that person would need to be both:

- on the roll of solicitors; and
- hold a practicing certificate.

7.14 We understand from the SRA that neither ██████████ nor ██████████ is on the roll of solicitors. In the event that it is found that ██████████ had held herself out as a practicing solicitor, we understand that this is a matter which the SRA would take very seriously. We would also conclude that she had not been appropriately qualified to hold herself out as a solicitor.

7.15 It has also been suggested that Enterprise Solutions charged WBC for an "Evening with a Commercial Lawyer" during 2009. We have been unable to locate the corresponding invoices from Enterprise Solutions to WBC, but have asked Enterprise Solutions to supply us with a full set of sales invoices addressed to WBC and supporting documentation during 2009 (and other years). This information has not been provided, as requested, by Enterprise Solutions.

7.16 In making recommendations, we have suggested that this matter should be referred to the SRA.

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7.17 After a business had joined the ISUS programme and started trading, Enterprise Solutions should have undertaken periodic reviews concerning the progress achieved by these businesses.

7.18 The majority of these reviews, especially those undertaken by ██████████ appear to have been undertaken by phone. The depth of these conversations (based on our conversations with ISUS applicants and review of telephone notes) appears to have been limited. We understand that ██████████ was an Enterprise Solutions administrator/receptionist who may not have been sufficiently trained or experienced to undertake these reviews. However, without further information, we cannot reach a conclusion.

CONVICTIONS

7.19 It has been suggested that some Enterprise Solutions staff had criminal records which should have precluded them from providing support to new businesses.

7.20 Generally, the information provided to us during this review has not identified employees who provided support under the ISUS or other programmes who may have had unspent convictions at the time that they worked for Enterprise Solutions²¹. However, there is one possible exception. It is a legal matter as to whether Enterprise Solutions should have taken account of what was reported in the press in November 2006 involving:

- a three year community service order; and
- a ban preventing that person from working with children for 10 years.

7.21 As we are not experts in the Rehabilitation of Offenders Act, the Council should consider what implications (if any) these penalties might have had on the appropriateness of employing someone with such a conviction. As such, we have not referred to the name of the person associated with the conviction, but could provide that if applicable. It is also important to note that, although the name reported in the media tallies with the name of a former Enterprise Solutions employee, it does not necessarily follow that they are one and the same.

7.22 We have, however, asked Enterprise Solutions to provide records evidencing how Enterprise Solutions complied with WBC's staff vetting procedures (see the contractual reference at paragraph 4.45). Enterprise Solutions have not responded to this request. This is potentially significant as we understand that Enterprise Solutions may have worked with vulnerable people on behalf of WBC and sometimes visited the home addresses of ISUS and other applicants.

²¹ whether convictions were spent within the definition of the Rehabilitation of Offenders Act is a complicated and legal matter which we would be keen to discuss with WBC's legal advisers.

8 POSSIBLE CRIMINAL OFFENCES

- 8.1 Whether criminal offences have been committed by staff or directors of Enterprise Solutions is a legal matter. However, it might be said that some of the anomalies described in this report run contrary to the Fraud Act, Theft Act and Forgery and Counterfeiting Act.
- 8.2 This section of our report is not intended to include a comprehensive list of all possible offences, but is intended as an outline of some of the offences which may have been committed.

THEFT ACT

- 8.3 Section 17 of the Theft act defines false accounting as involving a situation:

(1) Where a person dishonestly, with a view to gain for himself or another or with intent to cause loss to another,—

(a) destroys, defaces, conceals or falsifies any account or any record or document made or required for any accounting purpose [our emphasis]; or

(b) in furnishing information for any purpose produces or makes use of any account, or any such record or document as aforesaid, which to his knowledge is or may be misleading, false or deceptive in a material particular;

- 8.4 As explained from paragraphs 5.12 and 5.60, it would seem that advisory sheets associated with ISUS 1 and ISUS 4 contained misleading or false statements which did not reflect the nature of the support actually provided to the applicants.
- 8.5 Additionally, as explained from paragraphs 5.46 and 5.91 (ISUS 3 and ISUS 5), the content of post start reviews appears to have been false, ISUS 5 describing the turnover reported in his 24 month annual review as a:

"load of rubbish...they've just made it up".

- 8.6 Whilst we cannot comment of the intentions of Enterprise Solutions staff or whether their behaviour was dishonest, the presentation (if that took place) of false records is likely to have caused a loss to the NWDA and/or WBC as it is likely that these documents resulted in payments being made to Enterprise Solutions which might otherwise not have been. However, the absence of the CRM database and a reconciliation with payments made by WBC to Enterprise Solutions prevents us from reaching a definitive conclusion.

FRAUD ACT

- 8.7 Section 3 of the Fraud Act states that:

"A person is in breach of this section if he -

Dishonestly fails to disclose to another person information
which he is under a legal duty to disclose, and

Intends, by failing to disclose the information --

(i) to make a gain for himself or another, or

(ii) to cause loss to another or to expose another to a risk of
loss"

- 8.8 As explained from paragraph 4.47, Enterprise Solutions had a contractual and, it might therefore be said, legal obligation to report conflicts of interest. As explained in Section 6, Enterprise Solutions' staff and a director appear to have had conflicts of interest which as far as we can tell were not disclosed to WBC.

- 8.9 For example, as explained from paragraph 6.24, Mr Raworth appears to have been a minority shareholder in [REDACTED] his is the same or very similar name to that shown on the business plan submitted to Enterprise Solutions under the ISUS programme [REDACTED]
[REDACTED]

- 8.10 Whilst we have been unable to obtain a copy of the contract governing the scheme which preceded ISUS, it would seem that Mr Raworth had a history of having conflicts of interest which predate the ISUS programme.

- 8.11 We understand from WBC staff that, had they known of conflicts of interest such as that associated with Mr Raworth and [REDACTED], they would have reported the matter to WBC's legal team. We understand that their expectation is that Enterprise Solutions' contract under the ISUS programme would or should have been suspended pending an investigation. Whilst we cannot comment on Mr Raworth's intentions or his honesty, the outcome of his apparent failure to report his conflicts of interest is that Enterprise Solutions (of which he is a director and shareholder) had made a gain by virtue of having a contract which it might otherwise have not.

FORGERY AND COUNTERFEITING ACT

- 8.12 Section 1 of the Forgery and Counterfeiting Act states that:

"A person is guilty of forgery if he makes a false instrument with the intention that he or another shall use it to induce someone to accept it as genuine and by reason of accepting it, to do or not do some act to his or any other person's prejudice."

FALSE INSTRUMENTS

- 8.13 As explained from paragraphs 5.35 and 5.43, we have seen evidence which suggests that the signature shown on records retained by Enterprise Solutions did not belong to the person to whom it purportedly belongs. Instead, it would seem that someone has attempted to write a signature in pencil, overwrite the signature using an ink pen and then tried to erase the pencil marks.
- 8.14 This would appear to be contrary to section 9(1) of the Forgery and Counterfeiting Act which defines an "instrument" as including the following:

"An instrument is false for the purposes of this part of the Act:

- a) if it purports to have been made in the form in which it is made on the authority of a person who did not in fact authorise its making in that form..."*

OBSERVATIONS

- 8.15 The lack of a full CRM database with which to reconcile with Enterprise Solutions prevents us from reaching a definitive conclusion. However, it seems likely that the advisory sheet associated with ISUS 2 would have given the NWDA the impression that pre start support had been received and that the claim form associated with ISUS 3 had been signed by the corresponding applicant when in fact it had not been.
- 8.16 It might be said, therefore, that false instruments may have been submitted to the NWDA, which is likely to have been used to merit payment to Enterprise Solutions.

DATA PROTECTION ACT

- 8.17 As explained from paragraph 5.30, ISUS 1 has told us that he received calls from someone claiming to be from Wirral Biz who had tried to sell him a mobile phone and airspace. We cannot corroborate what we have been told to source data. It may be a coincidence that ISUS 1 had both been a participant on the ISUS programme, receiving support from Enterprise Solutions, and also that someone claiming to have been from or associated with Wirral Biz had contacted him.
- 8.18 However, as explained from paragraph 6.45, we have identified another applicant (b) under the ISUS programme who incorporated a company called Big in Communications and used Enterprise Solutions' premises as its registered office. We have been told, but have been unable to corroborate, that the applicant had been a sub-contractor to Enterprise Solutions.
- 8.19 We have also been told by A1 that Ms Turnbull had been aware that personal data had been passed to (b) A1 had told us that (b) discussed this with him because she had been concerned whether passing confidential data to (b) had been appropriate.
- 8.20 Section 55 refers to the unlawful obtaining of personal data and states that:

(1) A person must not knowingly or recklessly, without the consent of the data controller—

(a) obtain or disclose personal data or the information contained in personal data, or

(b) procure the disclosure to another person of the information contained in personal data.

8.21 We do not know with certainty whether personal data belonging to ISUS applicants was disclosed to [REDACTED] us, [REDACTED] director. However, there is a risk that personal data was disclosed, contrary to the Data Protection Act, and we would recommend that this is subject to further investigation.

9 RECOMMENDATIONS

9.1 It is WBC's responsibility to consider the recommendations made in this report and, also, whether and how it implements these recommendations. They have been made in circumstances in which Enterprise Solutions has failed to provide us with accounts and records to which, it seems²², WBC is contractually required. As a consequence, we have only reviewed a very small sample of Enterprise Solutions records and these may not be representative of the wider population.

9.2 These recommendations have also been made in circumstances where, despite having had very limited access to records:

- within the context of a very small sample size, we have identified a significant number of instances where it is likely that Enterprise Solutions has over-invoiced WBC; and
- there is evidence which suggests Enterprise Solutions staff and a director may have been responsible for, or, connected with criminal offences.

9.3 Despite the limitations placed on our work by Enterprise Solutions' apparent failure to comply with its contract under the ISUS programme; in circumstances such as these, WBC might take the view that litigation associated with either or both the civil and criminal courts would be appropriate.

FURTHER INVESTIGATION

CIVIL LITIGATION

9.4 We have had very limited access to Enterprise Solutions records. However, it seems that Enterprise Solutions may have been associated with undisclosed conflicts of interest which pre-date the ISUS programme.

9.5 We would recommend that WBC considers what impact these might have had on WBC's decision making progress had WBC been aware of them:

- might WBC have had grounds to suspend/terminate the contract which preceded ISUS?
- would WBC have awarded the ISUS contract to WBC had it been aware of the apparent conflicts of interest?

²² this is a legal matter

- 9.6 As part of the process of addressing these questions, we would recommend that WBC continues its efforts to locate the contractual documentation with Enterprise Solutions as far as it relates to the contract(s) which preceded ISUS. This may merit further investigation into the manner in which Enterprise Solutions delivered services to WBC before ISUS. We would also suggest that WBC clarifies whether the Business Start Up service specification discussed from paragraph 4.60 has contractual or other significance.
- 9.7 If WBC concludes that it would have been entitled to terminate the contract(s) which preceded ISUS and that it would not have awarded the ISUS contract to Enterprise Solutions, WBC should obtain legal advice in order to ascertain how it should quantify any loss it may have suffered.
- 9.8 If WBC concludes that it would have awarded Enterprise Solutions with a contract concerning the ISUS programme (notwithstanding the anomalies associated with the contract which preceded ISUS), we would suggest that WBC asks; had it identified the anomalies identified in Sections 5 and 6 after the ISUS programme had commenced, what impact might these had had on WBC's relationship with Enterprise Solutions. This may merit further investigation into the manner in which Enterprise Solutions delivered services to WBC before ISUS.
- 9.9 If WBC concludes that it would have been entitled to terminate the ISUS (and Complementary Services) contract, WBC should obtain legal advice in order to ascertain how it should quantify any loss it may have suffered.
- 9.10 This advice should also be sought against a backdrop in which one litigant (ISUS 1) has concluded that costly litigation against Enterprise Solutions should be avoided as he understands that Enterprise Solutions has few resources with which to compensate him. We offer no advice concerning Enterprise Solutions' ability to compensate WBC (if that were appropriate) as this falls outside the scope of our instructions. However, we note that one of Enterprise Solutions' directors is directly associated with some of the most serious anomalies we have identified and WBC may, in seeking legal advice, wish to take that into consideration, ie might this merit "piercing the corporate veil".

Further investigation and communication with Enterprise Solutions

- 9.11 In the event that WBC concludes that further investigation would be appropriate then it should ensure that it takes legal advice in order to enforce its contract(s) with Enterprise Solutions.

- 9.12 It has been averred by A1 and A2 that amendments were made to ISUS related paperwork shortly before a visit from A4e. As explained from paragraph 5.118, there would appear to be some substance to this allegation. We would strongly discourage WBC from sharing the findings of this report with Enterprise Solutions if it concludes that further investigation is applicable (by the Police or anyone else).

Basis for payments to Enterprise Solutions

- 9.13 As set out in the table at paragraph 4.75, Enterprise Solutions was entitled to a £1,144 payment once satisfactory evidence that a business had commenced trading had been added to CRM.
- 9.14 WBC should also take steps to clarify whether a business set up cost of £1,144 was only payable to businesses which started trading after they joined the ISUS programme as opposed to those which may have had up to three years of trading history before joining the programme.
- 9.15 We would also recommend that WBC clarifies businesses which had commenced trading were entitled to "pre-start" support as well as "post-start" support, or whether they were entitled only to "post-start" support. This is discussed in more detail from paragraph 4.77.

Rehabilitation of Offenders Act

- 9.16 As explained from paragraph 7.20, one of Enterprise Solutions' employees may have had an unspent conviction when providing support under the ISUS programme. We do not know whether, within the context of the Rehabilitation of Offenders Act, this conviction was spent or is otherwise relevant.
- 9.17 WBC should take legal advice on this point, and if applicable, ascertain whether the person quoted in the press had also been an Enterprise Solutions' employee at the relevant time.

CRIMINAL INVESTIGATION

- 9.18 Given the comments we have made in Section 8, we would recommend that WBC considers referring this matter to the Police.
- 9.19 With reference to the possible misuse of personal data, ie potentially contrary to the Data Protection Act, we would recommend that WBC considers referring this matter to the Information Commissioner, as well as the Police.
- 9.20 In the event that the Police (or any other party) does not seek to investigate this matter then we would recommend that Enterprise Solutions are given the opportunity to respond before making this report available to any parties other than WBC.

SOLICITORS REGULATION AUTHORITY

- 9.21 We have spoken to the SRA. The SRA have told us that they take the matter of people who are not solicitors but hold themselves out to be very seriously. The SRA has also told us that whether someone has held themselves out to be a solicitor can involve a strong element of judgement.
- 9.22 We cannot opine as to whether [REDACTED] has held herself out as a solicitor whilst providing support under the ISUS programme. However, it seems possible that she may have done so. We recommend therefore that WBC refers this matter to the SRA for their consideration.
- 9.23 In the event that WBC does not report this matter to the SRA, we would recommend that WBC give [REDACTED] and Enterprise Solutions are given the opportunity to respond before making this report available to any parties other than WBC.

CONTRACTUAL DOCUMENTATION

- 9.24 Unless WBC chooses neither to refer the matter to the Police, nor undertake civil litigation, we would recommend that WBC continues to take steps to locate the contractual documentation between:
- WBC and Enterprise Solutions; and
 - the NWDA and Enterprise Solutions.

CRM

- 9.25 We understand that a complete copy of the CRM database should be in the possession of BIS. We have been unable to obtain a copy from BIS, WBC (other than an extract), Enterprise Solutions or A4e.
- 9.26 The database is important because, as we understand it, it contains records to show which documents were provided by Enterprise Solutions to the NWDA (presumably such as advisory sheets and claim forms, among others). Without access to CRM, we do not know whether the documents described in this report, and in particular those containing anomalies, were uploaded by Enterprise Solutions and made available to the NWDA.
- 9.27 CRM is also important because, as we understand it, it is not possible to reconcile payments from WBC to Enterprise Solutions to underlying documents and, ultimately, the contract between the parties.

- 9.28 We have been informed by DCLG that it has been asked by the European Union to undertake some form of audit concerning the funds made available by the EU and, indirectly, disbursed by WBC to Enterprise Solutions. We understand from DCLG that they are likely to need access to CRM in order to undertake their work.
- 9.29 DCLG have asked for a copy of this report. Whether a copy should be made available to DCLG is a matter for WBC. However, WBC may wish to continue to communicate with DCLG and WBC as they may, in due course, locate a copy of the CRM database.
- 9.30 We would also recommend that WBC considers, and if necessary takes legal advice, whether Enterprise Solutions should be able to explain the invoices sent to WBC under the ISUS programme in the absence of CRM (ie does Enterprise Solutions have an obligation to reconcile its invoices with its contract, and the businesses or people it purports to have supported irrespective of whether it has a copy of the CRM database).

NOVATIONS OR VARIATIONS TO CONTRACT

- 9.31 As explained from paragraphs 4.29 and 4.78, the ISUS Contract entitled WBC to receive a payment of £176 for each Target which joined the ISUS programme. It would seem that, during the ISUS programme, the situation changed. Instead of paying a unit price per Target, this changed to a monthly retainer which totalled £5,500 in November 2011.
- 9.32 As far as we can tell, this change in WBC's contract was not subject to written agreement. We would recommend, therefore, that WBC takes steps to ensure that:
- payments are only made to sub-contractors which correspond with the underlying written contract; and
 - WBC documents and obtains written agreement concerning changes to contracts with sub-contractors.
- 9.33 Given that payments seem to have been made to Enterprise Solutions by WBC which cannot be reconciled with the ISUS Contract, we would also recommend that WBC undertakes a review to ascertain whether it is making other payments which fall outside of the corresponding contracts.

CENTRAL REPOSITORY OF SIGNED CONTRACTS

- 9.34 Particularly owing to some of the problems we have had locating signed and complete sets of contractual documents, we would recommend that WBC considers creating a central repository

of signed contracts. Alternatively, if it already has one, we would recommend that WBC ascertains whether this is complete.

PUBLIC MONEY SPENT WITH ENTERPRISE SOLUTIONS

- 9.35 We understand from WBC staff that Enterprise Solutions and WBC have no current contractual relationships. We understand, however, that Enterprise Solutions may currently be in receipt of public money through links it has with the "Big Enterprise in Communities" programme (delivered by Social Enterprise North West) and a programme supported by Liverpool City Council through the Alt Valley Community Trust.
- 9.36 We also understand from our visit to Enterprise Solutions that they also deliver the "DriveSafe" programme on behalf of Merseyside Police on the Wirral. We assume that, at least in part, DriveSafe involves public money.
- 9.37 Given the difficulties WBC has had in enforcing its contract with Enterprise Solutions and the concerns raised in this report, WBC should consider raising these matters with Social Enterprise North West, the Alt Valley Community Trust and Merseyside Police.
- 9.38 We would also recommend that WBC ascertains whether Enterprise Solutions provided support under the ISUS programme delivered by any other local authorities and considers sharing these findings with that authority(s).

ALLEGATIONS OF BULLYING

- 9.39 As explained from paragraph 2.7, A1 and A2 have criticised the way in which they have been treated by Enterprise Solutions. Whether there is foundation for these concerns falls outside of our expertise as forensic accountants. WBC should consider whether (and, if applicable) how these features should be addressed.

Grant Thornton UK LLP

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Liverpool

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