

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

7 OCTOBER 2014

<b>SUBJECT</b>	<b>BUSINESS INVESTMENT GRANT (BIG) AND INTENSIVE START-UP SUPPORT (ISUS) INVESTIGATIONS</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>CHIEF EXECUTIVE</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to share the outcomes from Grant Thornton's reports into the Business Investment Grant (BIG) and Intensive Start-Up Support (ISUS) schemes with the Audit and Risk Management Committee.
- 1.2. This report contains the initial draft reports produced by the former Chief Internal Auditor. The initial draft reports are attached at Appendix 1 and 2.
- 1.3. A review, requested by the Chief Executive, of the initial draft reports undertaken by the then Interim Director of Finance is attached at Appendix 3. This review recommended that an external firm of accountants or solicitors specialising in investigations for local authorities reviewed the evidence, allegations and investigations that had taken place in relation to both BIG and ISUS.
- 1.4. Following a tender process Grant Thornton were appointed to deliver this work. The ISUS reports, appendices and documents to accompany the reports are attached at Appendix 5, with the Executive Summary at Appendix 4. The BIG report is attached at Appendix 9, with the accompanying Executive Summary attached at Appendix 10.
- 1.5. Grant Thornton recommended that the Council consider referring the findings of its report into ISUS to the Police. As the provider was the same for the BIG scheme, the Council made the decision to also refer the BIG report to the Police for their consideration, in the interests of openness and transparency. The Police, after reviewing both reports, subsequently wrote to the Council advising that no action was to be taken following receipt of Grant Thornton's draft reports. See Appendix 6 for the Police letter.
- 1.6. Given that ISUS utilised North West Development Agency (NWDA) Funding, the ISUS report was initially referred by the Council to the Department for Business, Innovation and Skills ('BIS') and thereafter to the Department for Communities and Local Government ('DCLG') for consideration following the abolition of the NWDA.
- 1.7. To assist the Committee, a further two summary reports have been produced (see Appendix 7 and 8) by the Council, each of which provides a summary of events and background from the period when the matters were first raised with the Council to the point at which Grant Thornton provided its finalised reports.

## **2.0. BACKGROUND AND KEY ISSUES**

- 2.1. In June 2011 a former employee of Enterprise Solutions Ltd raised concerns about the BIG and ISUS grant programmes with the Council's Director of Regeneration, who immediately notified the Council's Monitoring Officer when it became evident that the complaint was made under PIDA.
- 2.2. The complainant was subsequently joined by a second former employee of the same company in raising these concerns.
- 2.3. These concerns were the subject of an investigation by the Council's Chief Internal Auditor as referenced at paragraph 1.2, before the decision was taken to appoint an external firm to review the evidence, allegations and investigations that had taken place.
- 2.4. In March 2013 Grant Thornton delivered two draft reports to the Council, in relation to BIG and ISUS respectively.
- 2.5. Grant Thornton reported that no concerns were identified regarding the integrity or honesty of any Wirral Council employees.
- 2.6. Acting on recommendations made by Grant Thornton in relation to ISUS, the Council referred the two draft reports to the Police. The ISUS and BIG reports were also referred to BIS.
- 2.7. Merseyside Police wrote to the Council on 23<sup>rd</sup> April 2014 advising that no action was to be taken following receipt of Grant Thornton's draft reports.
- 2.8. The Council reported the Police response to the external investigator. The finalised Grant Thornton reports were received by Wirral Council in May 2014.
- 2.9. The Council is still awaiting a final response from BIS.

## **3.0. CONCLUSION**

- 3.1. The recommendations made by Grant Thornton in relation to monitoring and best practice have been noted and actioned where appropriate.
- 3.2. The BIG and ISUS schemes have been mostly successful funding programmes and have both had a positive effect on Wirral's economy and business community.
- 3.3. Merseyside Police conducted their own investigation and notified Wirral Council that no action was to be taken, commenting on the Council's openness and assistance during the enquiry.

## **4.0. RELEVANT RISKS**

- 4.1. The Council, when it became aware of the allegations, initiated steps to ensure they were investigated. Matters have been kept under review and when appropriate additional steps taken to ensure the allegations were investigated.

4.2. The Council has endeavoured to investigate the allegations that have been made and has referred them to the Police and BIS.

#### **5.0. OTHER OPTIONS CONSIDERED**

5.1. No other options considered.

#### **6.0. CONSULTATION**

6.1. Requisite consultation has taken place with Grant Thornton with regards to disclosure of the reports.

#### **7.0. IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1. There are none arising from this report.

#### **8.0. RESOURCE IMPLICATIONS**

8.1. Inevitably there are resource implications arising in undertaking investigations of this kind. However, such issues whilst relevant are not overriding factors when dealing with allegations and issues of the kind stated in this report and the appendices.

#### **9.0. LEGAL IMPLICATIONS**

9.1. The Council has an obligation to consider the allegations and issues that have been raised. The Council must consider the findings and conclusions reached.

9.2. The Council must reach its decision on further steps/actions based on the evidence available.

#### **10.0. EQUALITIES IMPLICATIONS**

10.1. Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

#### **11.0. CARBON REDUCTION IMPLICATIONS**

11.1. There are none arising from this report.

#### **12.0. PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1. There are none arising from this report.

#### **13.0. RECOMMENDATION**

13.1. That the Committee:

(a) notes the report;

- (b) accepts the findings reported by Grant Thornton and Merseyside Police into the allegations made in respect of BIG and ISUS grant programmes; and
- (c) Subject to the response of the Department for Communities and Local Government ('DCLG'), the Chief Executive shall undertake all necessary steps to address any points/issues raised by DCLG and report back to this Committee.

**14.0. REASON FOR RECOMMENDATION**

14.1. To provide Members of the Committee with assurance that the Council has investigated the allegations made by the complainants and taken appropriate action in response to the findings identified by Grant Thornton.

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**APPENDICES**

- Appendix 1: Internal Audit Draft BIG Report
- Appendix 2: Internal Audit Draft ISUS Report
- Appendix 3: Review of Internal Audit Reports
- Appendix 4: Grant Thornton ISUS Report – Executive Summary
- Appendix 5: Grant Thornton ISUS Report – Full Report (including Appendices 1 – 2 and Documents 1 – 17)
- Appendix 6: Letter from Merseyside Police
- Appendix 7: BIG Summary Report
- Appendix 8: ISUS Summary Report
- Appendix 9: Grant Thornton BIG Report – Full Report (including Appendices 1 – 3 and Documents 1 – 12)
- Appendix 10: Grant Thornton BIG Report – Executive Summary
- Appendix 11 Agreement between NWDA and Wirral Council dated 17 September 2009
- Appendix 12 Internal Audit Report dated 8 March 2010 Working Wirral Regeneration

**REFERENCE MATERIAL**

N/A

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date
Audit and Risk Management Committee	