

ISUS-ALLEGATIONS RELATED TO ISUS BUSINESS SUPPORT INTRODUCTION:

Allegations were made under the Council's WB policy by 2 persons employed by a company which had a contract with the Council to deliver the Intensive Start-UP Support (ISUS) Programme. This report explains the background and organisation of the ISUS scheme (1.0 to 4.3), states the allegations and examines the details of the evidence presented to support them (5.0 to 5.12) and presents the conclusions and findings of the enquiry. The company, Enterprise Solutions (NW) Limited, functioned as a business separately from Wirral Council and conducted business unrelated to the Council as well as its activities as a contractor to the Council.

1.0 BACKGROUND

1.1 Since October 2004 Wirral Council operated a business start programme which was run by Enterprise Solutions (NW) Limited and called, Wirralbiz. The Programme was approved by the then Wirral Waterfront SRB Initiative Board and endorsed by Cabinet on 4th November 2004. It provided awareness sessions, development workshops, and continuing assistance through regular 3-monthly reviews along with advice to all businesses which had been started as a result of participation in the scheme. The scheme was successful in attracting a high number of potential entrepreneurs to Wirral and continuously creating a high level of new sustainable businesses monitored over a period of 24 months.

1.2 The Programme also offered a business start-up grant, on a differential rate with priority given to the defined deprived areas and the requirements of the new businesses.

The grants ranged from £500 to £2,000 and they were considered as being an essential element in helping a business in its early months of trading.

1.3 (a) On 1st April 2009, the North West Development Agency (NWDA) introduced a Regional Business Start Programme which it named Intensive Start-Up Support (ISUS). This was part of the Government's National Business Support Simplification Programme (BSSP) which aimed to reduce the number of business support initiatives nationally to less than 100 by 2010. The NWDA agreed to make funding available from its own resources and the European Regional Development Fund (ERDF), which it managed, to support the ISUS Programme. The process involved the NWDA undertaking a full tendering exercise, compliant with European procurement legislation, to invite suppliers to tender to deliver the prescribed programme throughout the North West. The names of the successful suppliers were announced in February 2009 and they were invited to become a member of the NWDA Supplier Panel. To access services from this Panel, Wirral Council had to undertake an independent tendering procedure with all suppliers identified by NWDA on the Supplier Panel as suitable to provide the service in Wirral. The invitation to tender was sent to potential suppliers on 24th July 2009.

The NWDA agreed to make available to Wirral Council over the scheme's planned 3 years, 2009/10 to 2011/12, £1,593,863 providing the specified outputs were achieved:

New Business Starts	676
New Jobs Created	1216
New businesses trading at the end of 12 months	93%
New businesses trading at the end of 24 months	83%
New businesses trading at the end of 36 months	72%

- (b) In the tender specification, the Council set a requirement of achieving 900 business starts over the three year programme (300 per annum) as this number was required to assist in closing Wirral's enterprise gap which was identified in the Regional Economic Strategy.
- (c) The ISUS Programme became operative from April 1st 2009 but commenced in Wirral, on October 1st 2009 after the tendering process resulted in the contract being awarded to Enterprise Solutions (NW) Limited (the incumbent business-start service provider) at a unit cost of £2,200 (excluding VAT) per new business-start, totalling a maximum contract of £1,980,000 for the next three years. To achieve the Council's target of 900 starts, £386,137 of Wirral's Working Neighbourhoods funding was used to supplement NWDA's allocation of £1,593,863 (As approved by Cabinet on 3rd September 2009).
- (d) Wirral Council's original business start programme (1.1 above) was more comprehensive than the scheme defined in the NWDA ISUS programme which did not include the awareness sessions, development workshops and continuing support in the form of on-going 3- monthly reviews. As these 3 elements were considered to have been extremely successful in assisting business creation and with the agreement of the NWDA, it was specified in the tender for the ISUS provider that the Council might wish to procure these additional services from the successful supplier because of the proven benefits that they brought to the existing programme. This additional work was awarded to Enterprise Solutions (NW) Limited in December 2009, as approved by Cabinet on the 26th November 2009, and was formalised by a separate agreement between the Council and Enterprise Solutions (NW) Limited.
- (e) The key element of provision of a business start-up grant was retained in parallel with the ISUS and related Council programme, but to maximise the support that could be given to businesses from the Council budget, each grant was reduced to a flat rate of £500.
- (f) To enable Enterprise Solutions (NW) Limited to deliver the business start-up service, they employed several Business Advisors to provide elements of the

programme including advice and training to business owners and those wishing to start businesses.

2.0 ELIGIBILITY REQUIREMENTS

2.1 The ISUS Programme and related Council assistance was available to:

- a) All residents living in the Borough who were starting a new business or had started a business within 3 years. Businesses that had already started were not eligible for the £500 start-up grant.
- b) People wishing to start and locate a new business in Wirral.

3.0 ASSISTANCE PROVIDED

3.1 NWDA ISUS PROGRAMME

- a) Assisting business owners in the development of viable business plans, cashflow and profit and loss forecasts and provision of business advice to enable new businesses to be established and commence trading in Wirral.
- b) Post-start support including contact with businesses initially at 3 and 6 months and ongoing monitoring at 12, 24 and 36 months.

3.2 WIRRAL COUNCIL SUPPORT PROVIDED BY ENTERPRISE SOLUTIONS (NW) LIMITED UNDER A SEPARATE AGREEMENT

- a) Awareness sessions, development workshops, continuing assistance and additional reviews at 3-monthly intervals which were in addition to those that were paid for by the ISUS programme.
- b) A £500 grant payable by the Council to business starts that had successfully been registered on the ISUS Programme at start up stage and had commenced trading as an entirely new business within the Borough which was confirmed by a monthly monitoring report produced by A4e.

4.0 CONTROL PROCESS

4.1 MANAGEMENT

NWDA engaged A4e as managing agents and auditor for the ISUS programme. Wirral Council had no involvement in the selection of A4e or in reviewing the quality of their work as A4e was an agent of NWDA.

- a) A4e had responsibility for the quality of the programme, its performance management, and building the capacity of suppliers such as Enterprise Solutions (NW) Limited at Wirral.

b) A4e undertook monitoring meetings with Enterprise Solutions (NW) Limited and conducted annual audits of Enterprise Solutions (NW) Limited.

c) Monthly contract meetings were held between Council officers, A4e and Enterprise Solutions (NW) Limited and quarterly strategic meetings held between Senior Managers of Wirral Council, A4e and NWDA to review the performance of Enterprise Solutions (NW) Limited as the supplier of the programme.

4.2 EVIDENCE REQUIRED TO SUPPORT APPLICATIONS FOR ASSISTANCE THROUGH THE ISUS PROGRAMME

A4e managed the ISUS Programme on behalf of the NWDA and specified a series of control forms that had to be completed by Enterprise Solutions which they then had to upload onto a Computer Records Management (CRM) system. This stored all the data of clients entering and progressing through the ISUS Programme

The system which was outside the control of the Council, was also used to allow the supplier to evidence claims for payment at each stage of each client's progress of development.

The documents that had to be completed to confirm a businesses progress through the ISUS Programme are listed on page 6 of the A4e "Audit Forms Guidance Notes document" which is attached at Appendix 1.

4.3 EVIDENCE REQUIRED FROM NEW BUSINESSES TO RECEIVE THE COUNCIL FUNDED £500 STARTER GRANT

(i) Confirmation from the A4e monitoring system that the businesses had started trading, and a form signed by the business start applicant confirming their bank details including an account in the business name.

(ii) Evidence that the applicant was either a resident in Wirral eg. Production of a utility bill or a copy of the businesses premises lease or licence confirming that the business would be based in Wirral.

4.4 PAYMENTS

4.5 PAYMENTS TO ENTERPRISE SOLUTIONS: ISUS FUNDED ACTIVITY

NWDA made funding available monthly, in arrears, to Wirral Council on the basis of evidenced claims from Enterprise Solutions (NW) Limited which had been verified by NWDA's managing agent, A4e. The claims were submitted by Enterprise Solutions (NW) Limited to Wirral Council who paid Enterprise Solutions (NW) Limited and reclaimed the amount from NWDA.

As specified by NWDA, A4e carried out 10 % sample checking of evidence for every monthly claim period.

4.6 ADDITIONAL BUSINESS START SERVICES AS PROCURED BY WIRRAL COUNCIL

Enterprise Solutions (NW) Limited submitted invoices to Wirral Council, with supporting evidence, that services had been carried out i.e., copies of attendance registers for awareness sessions, development workshops and lists of the 3- monthly reviews that had been carried out in addition to the reviews funded by ISUS.

4.7 WIRRAL COUNCIL £500 GRANT SCHEME

Once a business had been accepted on the ISUS programme at business start stage as verified by the A4e monthly monitoring report, Enterprise Solutions (NW) Limited sent to the Council Programme Manager evidence that the business owner was a Wirral resident and/or had a lease for business premises in Wirral.

A BACS form signed by the business' owner confirming the business account details were also submitted to enable payment of the grant to be made direct to the business bank account.

5.0 ALLEGATIONS

The allegations were that there was:

- a) A lack of control by Enterprise Solutions (NW) Limited of their Business Advisors in terms of their skill and efficiency of their work, or deception by Enterprise Solutions (NW) Limited in collusion with their contracted Business Advisors.
- b) A lack of supervision of Enterprise Solutions (NW) Limited by Wirral Council that allowed the poor practice or deception to take place. The relevant Wirral Council staff responsible for contract supervision were not qualified or suitably experienced to supervise such work.
- c) An inadequate number of audits were conducted by A4e and the quality of their audits was poor.
- d) A lack of action by Wirral Council and Enterprise Solutions (NW) Limited, in response to audit reports from A4e.
- e) A very large waste of public money as a result of the poor control over Enterprise Solutions(NW) Limited.

The WB provided several examples of instances which was presented as evidence to support the allegations:

5.1 TAX RETURN ERRORS

- Assertion: Tax returns produced by a member of staff at Enterprise Solutions (NW) Limited contained errors.

Finding: It was acknowledged by Enterprise Solutions (NW) Limited that there were errors on tax returns which did affect a small number of ISUS participants. Enterprise Solutions (NW) Limited confirmed that the employee who was responsible for these errors was disciplined and clients for whom the tax returns were completed were all contacted to review previous work and corrected tax returns were resubmitted where necessary.

5.2 CASH FLOW FORECASTS PLACED ON FILE THE NIGHT BEFORE A4e AUDIT

Assertion: Cash flow forecasts which formed part of a suite of documents that had to be completed to the satisfaction of A4e as part of their control mechanism, were only placed on file the night before each audit, whereas they should have been part of the process of assessment of business' suitability for help under ISUS.

Finding: Staff and management of Enterprise solutions (NW) Limited denied the practice and no documentary evidence of such action could be found. NWDA confirmed that their auditors, A4e, found no evidence of this practice.

5.3 INAPPROPRIATE DELEGATION OF BUSINESS REVIEWS

Assertion: Enterprise Solutions delegated the responsibility for carrying out business reviews to inappropriate, unqualified staff leading to excess profiteering.

Finding: The ISUS contract entered into by Enterprise Solutions did not stipulate that Business Reviews had to be carried out by a member of staff holding a specific qualification. It did however stipulate under Section 3 'Suppliers Responsibilities' that 'key personnel or any of the Suppliers Team shall be suitable skilled, experienced and qualified to carry out the Services'. Enterprise solutions maintained that all of their advisors held appropriate qualifications (most to degree level) which were commensurate to the tasks that they were asked to complete. Though a specific business qualification was not specified A4e as managing agents for the Programme defined this requirement as all advisors needing to hold Small Firms Enterprise Development Initiative (SFEdi) accreditation. (see 5.13 of the report).

Page 12 and 13 of the A4e Audit Guidance Note (Appendix 1) specifies the procedure for carrying out the 3 and 6 monthly reviews and the annual reviews which were a mandatory part of the programme.

The verification of all reviews during the course of the contract was the responsibility of A4e and it was they who signed them off as complete and acceptable.

5.4 INAPPROPRIATE BILLING FOR BUSINESS ADVISOR SUPPORT PRIOR TO AWARDING OF ISUS CONTRACT

Assertion: Invoices paid for by Wirral Council in May and August 2009 as part of the Council business start programme which pre-dated ISUS, was for work undertaken by one of Enterprise Solutions (NW) Limited Business Advisors [REDACTED] who traded as [REDACTED], in connection with him helping to

prepare Enterprise Solutions(NW) Ltd's bid for the ISUS contract. Consequently, Wirral Council had paid Enterprise Solutions (NW) Ltd to prepare their tender for the ISUS contract with the Council.

Findings:

[REDACTED] was one of the regular Business Support Advisors employed by Enterprise Solutions as part of the delivery of the Council-funded Initial Business Start Programme which pre-dated ISUS.

Both invoices quoted by the WB were examined together with a sample invoice that was paid to [REDACTED] approximately 10 months before the allegation was made. (Appendix 2)

The invoices included a description of the work to which was stated as "Business Development." These were accepted by Wirral Council staff as referring to Business Advisor support that was delivered in accordance with the Council programme which pre-dated ISUS, and there was no reason for them to be queried.

The documents presented by the WB showed that the tender documents for the ISUS programme were received by Enterprise Solutions (NW) Ltd on 28th July 2009. Wirral Council records show the tender invitations were sent on 24th July 2009. Consequently, the invoice submitted by [REDACTED] the Council in May 2009 could not have been in connection with the Business Advisor preparing an ISUS bid on behalf of Enterprise Solutions (NW) Ltd as invitations to tender had not been issued then.

5.5 UNREALISTIC CASH FLOW FORECASTS

Assertion: There were unrealistic cash flow forecasts on files for new businesses and it was stated that a photography business, whose name WB could not recall, had a predicted first-year turnover of £1m when in fact actual turnover was less than £100.

[REDACTED]
Finding: All files relating to photography businesses that had passed through the programme were examined and cash-flow projections were considered. No business was found that had inflated cash flow forecasts. Enterprise Solutions (NW) Limited stated that their Business Advisors encouraged ISUS clients to prepare cash-flow forecasts conservatively so that owners of new businesses would not lose enthusiasm if they failed to meet unrealistic targets. [REDACTED]
[REDACTED]

5.6 [REDACTED]

Assertion: [REDACTED] received a business start-up grant when he was ineligible by virtue of having already received a grant.

Finding: The conditions that would preclude a business start from receiving a start up grant through the ISUS programme would be if they had already received one or if it was not a new business. Records presented by [REDACTED] demonstrated he

complied with the conditions for ISUS assistance. NO RECORD OF PREVIOUS GRANT?

5.7 MISSED DEADLINE

- a) **Assertion:** A Business Advisor [REDACTED] worked on tax returns for businesses and subsequently 6 months later, helped in their grant application. As there was a 3 month "window" limit from start-up, [REDACTED] had helped businesses which he knew were ineligible. WB stated he had reported this issue often to Enterprise Solutions (NW) Limited directors but with no written response or action.

Finding: There was no 3 month "window" for ISUS assistance. New and existing businesses up to 3 years old could take part in the programme. 3 months was specified as the maximum acceptable age of documentary evidence submitted to prove new businesses had started trading but this could be waived in certain circumstances if a satisfactory statement of explanation was provided to A4e. (See page 11 of Appendix 1)

- b) **Assertion:** The records for [REDACTED] trading as [REDACTED] showed the business had been trading for over a year as there was a lease from one year prior to her grant application. Also, the dates on tax returns produced by the Business Advisor, [REDACTED], indicated the business had been trading more than 3 months before application, which was contrary to the eligibility rules.

Finding: Evidence of a lease was not considered on its own as evidence that a business was "active" and so ineligible for a "Start Up" grant. In the case of [REDACTED], Enterprise Solution provided evidence and documentation (Appendix 3) which shows that she attended her first ISUS workshop on 2nd September 2009. [REDACTED]

August 2010 and the records show that she then re-entered the programme in August 2010 and completed the course on 8th September 2010. [REDACTED] started her business on 4th November 2010. Her business' file was found to contain all of the documentary evidence required by A4e as part of its control mechanism along with the signed standard declaration by Enterprise Solutions (NW) Limited and [REDACTED] that her business was eligible for entry onto the Business Start Programme. (Still need to deal with the tax return issue!)

[REDACTED]

5.8 EXAGGERATED TIME

Assertion: 25 minutes was charged as 1 hour after assistance had been given to a business.

Finding: Enterprise Solutions (NW) Limited stated that it was most unusual to have needed a meeting of less than an hour with a client and appointments for Business Advisors with businesses were allocated in hour periods to allow for

approximately a 45 minutes meeting and 15 minutes to complete required administration. All reviews carried out by Enterprise Solutions were in accordance with the A4e Audit Forms Guidance Notes and all were verified and signed off for payment by A4e's contract manager.

5.9 INCORRECT DATES ON REVIEWS

Assertion: When business reviews were completed in April, May and June it was the practice for these to be dated as August or else Enterprise Solutions (NW) Limited would not have been paid. The only example of this practice quoted was the file of the client [REDACTED]

Finding: [REDACTED]'s file was examined and every specified 3 monthly review was present. No evidence of falsification of dates was found

5.10 BUSINESS ADVISOR ASSISTING IN AN APPLICATION THAT WAS INELIGIBLE

Assertion: [REDACTED], as Business Advisor, assisted [REDACTED] in submitting an application for a grant which was awarded. The owner of [REDACTED] was [REDACTED] or who had previously owned a company that had been dissolved so [REDACTED] assisted an application from a bankrupt person which was contrary to the rules of the grant.

Finding: There was no record that [REDACTED] had been on the ISUS programme. The company was, however, assisted through an earlier Council initiative and commenced trading on 23rd October 2008 which was prior to the commencement of the ISUS programme in October 2009.

[REDACTED] is not shown as an un-discharged bankrupt person in the insolvency register of the Department for Business Innovation and Skills (BIS). Also there is no entry in the personal insolvency register under [REDACTED] was a director of [REDACTED] which was a limited company that was dissolved on 1 June 2010 having been incorporated on 7 January 2008. 'Dissolved' is not the same as liquidation or bankruptcy and can occur if accounts or annual returns are not filed because the business owner decided to cease trading. Searches of the London Gazette records for [REDACTED] indicated that a [REDACTED] was made bankrupt in 2004 in Newcastle but there is no indication this is [REDACTED] who owned [REDACTED]

5.11 FAILURE OF INVEST WIRRAL (THE COUNCIL SECTION RESPONSIBLE FOR THE CONTRACT) TO SUPERVISE ENTERPRISE SOLUTIONS (NW) LIMITED

Assertion: There had been a lack of supervision by Wirral Council since the beginning of programmes funded by Wirral Council with the result that millions of pounds of public money had been wasted.

- (a) The start-up grants were paid to businesses by Invest Wirral after inadequate basic checks were conducted to ensure that the business address was in Wirral and that the business had a business bank account and had started trading.
- (b) After concerns had been initially raised by the person who subsequently became one of the WB's, Invest Wirral carried out checks on business files. The comments that the WB subsequently found on the files indicated the Invest Wirral staff's lack of knowledge and expertise.
- (c) After Invest Wirral introduced more thorough checks on ISUS files to ensure that business plans and other documentary evidence were of a suitable standard, there were many grants and businesses rejected from ISUS. This more intensive system of checks should have been conducted initially and so prevented significant waste. The improved regime of supervision only occurred because of the initiative of the WB raising concerns.

Finding:

- a) The ISUS contract was managed by A4e on behalf of the NWDA. The checks that were made by the Council before a £500 start up grant was paid were:
 - (i) documentary evidence such as a copy of a utility bill or bank statement confirming their residential address
 - (ii) a copy of the signed lease/license for their business premises if the applicant lived outside Wirral;
 - (iii) a signed form from the client confirming their bank account details, which needed to be in the business name.
- b) The Project Managers employed by the Council who had direct responsibility for the contract:
 - had been appointed in accordance with Wirral Council's procedure for assessing qualifications, experience and skills;
 - were subject to regular Key Issues Exchanges which determined any training needs;
 - were 2 highly experienced officers. One had previously worked in the private sector holding a range of senior and managerial positions in the engineering sector. The other officer had over 20 years experience working with a range of business support agencies including CEWTEC and Business Link and was also a qualified PRINCE 2 practitioner.
- c) The checking of documentary evidence was not, at any time during the ISUS programme, the responsibility of Wirral Council. This was the role of A4e but

following an initial meeting with a WB in July 2011 Invest Wirral began to carry out secondary checks on all of the business files generated from the ISUS Programme as it was this system that the Council used to release the £500 start-up grant when the business had reached the start stage. From August 2011 through to the termination of the contract in December 2011 177 files were checked as they were being generated. Over the 5 month period, 65 had business plans that required additional information or had incorrectly completed documentation. The issues were reported to Enterprise Solutions (NW) Ltd who worked with clients to address them and resubmitted the plans to Invest Wirral with amendments. When the evidence was considered to be satisfactory, the grant payment to each business was approved. 3 business-start grant applications were not approved as these clients did not meet the criteria. The business plans submitted showed that 2 businesses would not be operating full time in Wirral and another business was not viable beyond its first year as it was a project with grant funding for one year rather than a business, and then no plan which demonstrated how income would be generated subsequently.

5.12 PHANTOM COSTS CHARGED TO WIRRAL COUNCIL

Assertion: It is likely that Enterprise Solutions (NW) Limited charged Wirral Council for work not carried out in the correct time frame.

In September 2010 one of the WB,s obtained copies of Business Advisors' invoices to Enterprise Solutions (NW) Limited for work they had completed in giving business advice and compared these to the records on the Enterprise Solutions (NW) Limited database. There were approximately 80 more interviews logged on the database than were supported by invoices.

The process was for Business Advisors to invoice Enterprise Solutions (NW) Limited for advice sessions delivered to businesses helped. These were used to compile an invoice to Wirral Council for a specific period, so that Enterprise Solutions (NW) Limited would be paid, in accordance with their contract. It was asserted that Business Advisors were scrupulous in submitting their invoices rapidly to claim their income, so it was asserted that interviews logged on Enterprise Solutions (NW) Limited's database not supported by Business Advisors' invoices were an indication of negligence or fraud by Enterprise Solutions (NW) Limited.

It was asserted that the additional work apparently recorded on Enterprise Solutions (NW) Limited's database might have occurred when the dates for post start-up support had been missed and Enterprise Solutions (NW) Limited might have claimed for the interviews and intended to do them later.

When this was raised with Enterprise Solutions (NW) Limited, the next day the database location was moved so the WB could no longer access it.

It was asserted that Invest Wirral might already have the Enterprise Solutions (NW) Limited database and if so the differences he initially identified could be identified.

Finding: Payment by Wirral Council to Enterprise Solutions (NW) Limited for work by their Business Advisors in compliance with the ISUS scheme was based on claims verified by A4e in accordance with standards specified by NWDA. The database maintained by Enterprise Solutions (NW) Limited was not part of the evidence used for A4e to verify claims and it was not used, or made available to Invest Wirral.

5.13 AUDIT REPORTS

Assertion: An audit report by A4e dated 11 June 2010 which was a review of Enterprise Solutions (NW) Limited's service in delivering ISUS, was produced by the WB who stated it highlighted the scope for fraud at Enterprise Solutions (NW) Limited. The WB also asserted that the findings of the report were ignored, Business Advisor meetings were not held to discuss the issues, none of the recommendations had been implemented and the report had been copied to Wirral Council who had taken no action.

Finding: The copy of the June 2010 audit report that the WB had possession of in June 2010 was a draft Supplier Audit Report that was issued by A4e to Enterprise Solutions (NW) Limited, the NWDA and the Council. It included recommendations to Enterprise Solutions (NW) Limited to improve the control of the ISUS programme in specified areas. These issues were subsequently included on the agenda of the monthly meetings held between A4e, Enterprise Solutions (NW) Limited and Council Officers and appropriate actions to resolve the issues were agreed and recorded in the minutes. The 'Final Audit' Report was produced on 11 October 2010 (t Appendix 4) confirmed that the "Financial Risk of the Programme was 0%" (page X of the Audit) and it included an Action Plan detailing the operational improvements that had already taken place since the date of the first audit visit and those issues that were on going.

A4e presented a 'Final Audit' Report on 1 February 2012 (Appendix 5) which reviewed the progress in implementing the Action Plan and confirmed that 'many recommendations from the last report have been completed or were part of the on-going actions to be completed during the contract by Enterprise Solutions (NW) Limited' (page x) This Report also showed that there were 2 recommendations that had not been implemented:

- a) All Enterprise Solutions (NW) Limited Business Advisors should be Small Firms Enterprise Development Initiative (Sfedi) accredited
- b) Enterprise Solutions (NW) Limited should achieve "Investors In People" (IIP) status.

Enterprise Solutions (NW) Limited did employ 2 Business Advisors with Sfedi accreditation towards the end of the contract and were therefore able to partly satisfy this Action Point. Enterprise Solutions (NW) Limited maintained to NWDA (as detailed in the minutes of June 23rd Item 9 monthly contract meeting attached

as Appendix 6) that their Business Advisors were qualified to a level in excess of Sfedi accreditation, many to relevant degree level hence the protracted discussion between Enterprise Solutions (NW) Limited and NWDA to resolve the issue. The decision of Enterprise Solutions (NW) Limited not to secure IIP status for the company was still under discussion with the NWDA when the Agency made its announcement to terminate the Programme.

5.14 WASTE OF PUBLIC MONEY

Assertion: Money used in the ISUS scheme was wasted as a result of poor management and control, or fraud.

Finding: The NWDA set targets to be achieved by the ISUS programme so that its effectiveness could be measured. One of the targets was the creation of 676 new business starts in the 3 year period of the programme, but this was modified by Wirral Council when it commenced the ISUS Programme to 300 per year, to assist with the Council's target of closing the borough's enterprise gap as identified in the Regional Economic Strategy. The targets are listed in the table alongside the actual outputs achieved when the Programme was prematurely terminated:

	NWDA	Targets WBC Modified	Output
New Business Starts	676	900	877 (1)
New Jobs Created	1,216		1,095 (1)
New Businesses Trading:			
After 12 months	93%		94%
After 24 months	83%		(2)
After 36 months	73%		(2)

Note (1): NWDA terminated the ISUS contract after 2 years 3 months rather than the 3 years as originally intended due to the Government's abolition of the Agency. The output achieved, in the reduced period of the scheme, for new business starts was 97% of the enhanced Wirral target. The output for new jobs created was 90% of the target.

Note (2): Invest Wirral started compiling the "24 months" target output and were also preparing to collect the "36 months" output target when the Council was contacted on 24th July 2012 by the former NWDA ISUS Programme Manager now

employed by the Department of Business, Innovation and Skills (BIS), which replaced the NWDA, to announce, that following discussions with the Department of Communities and Local Government and BIS, the ongoing requirement for post contract monitoring has been removed. The justification for this decision was due to the fact that stringent monitoring controls put in place by the former NWDA meant that the national ISUS Programme achieved 97% of its jobs targets at the end of December 2011 (10,700 against a profile of 11,000). An enhanced Article 13 ERDF Audit of the national programme also concluded that there were no major issues to resolve in relation to the management of the Programme.

6.0 CONCLUSIONS AND FINDINGS RELEVANT TO ALLEGATIONS IN SECTION 5.0

Allegation (a).

- No evidence of a lack of control by Enterprise Solutions (NW) Limited of their Business Advisors in terms of their skill and efficiency of their work was revealed.
- The company was subject to a NWDA tendering process to be eligible to deliver the prescribed programme.
- NWDA engaged A4e as managing agents and auditor for the ISUS programme.
- A4e undertook monitoring meetings with Enterprise Solutions (NW) Limited and conducted annual audits of Enterprise Solutions (NW) Limited.
- Monthly contract meetings were held between Council officers, A4e and Enterprise Solutions (NW) Limited and quarterly strategic meetings held between Senior Managers of Wirral Council, A4e and NWDA to review the performance of Enterprise Solutions (NW) Limited as the supplier of the programme.
- A4e managed the ISUS Programme on behalf of the NWDA and specified a series of control forms that had to be completed by Enterprise Solutions to evidence their management over all the clients who entered and progressed through the ISUS Programme

Finding

The control and management process established by NWDA was thorough and enabled Wirral Council and NWDA to be made aware of any issues of poor performance by Enterprise Solutions (NW) Limited and require any necessary remedial action to be taken.

Allegation (b)

- Wirral Council had no involvement in the selection of A4e or in reviewing the quality of their work as A4e was an agent of NWDA.

- Monthly contract meetings were held between Council officers, A4e and Enterprise Solutions (NW) Limited and quarterly strategic meetings held between Senior Managers of Wirral Council, A4e and NWDA to review the performance of Enterprise Solutions (NW) Limited as the supplier of the programme.
- The Project Managers employed by the Council who had direct responsibility for the contract: were appropriately qualified and experienced.

Finding

There was an effective system of supervision of Enterprise Solutions (NW) Limited by Wirral Council and NWDA that enabled the programme to be managed effectively. The relevant Wirral Council staff responsible for contract supervision were qualified and suitably experienced to supervise the programme.

Allegation (c)

NWDA engaged A4e as managing agents and auditor for the ISUS programme. Wirral Council had no involvement in the selection of A4e or in reviewing the quality of their work as A4e was an agent of NWDA. A4e undertook monitoring meetings with Enterprise Solutions (NW) Limited and conducted annual audits of Enterprise Solutions (NW) Limited.

Finding

Audits were conducted annually and followed up to verify the implementation of any recommendations, in accordance with standard audit practice.

Allegation (d)

- All audit reports included recommendations to Enterprise Solutions (NW) Limited to improve the control of the ISUS programme in specified areas when appropriate. Any such issues were all included on the agenda of the monthly meetings held between A4e, Enterprise Solutions (NW) Limited and Council Officers and appropriate actions to resolve the issues were agreed and recorded in the minutes.
- An example of an A4e Audit Report is the one dated 1 February 2012 (Appendix 5) which reviewed the progress in implementing a previously specified Action Plan and confirmed that 'many recommendations from the last report had been completed or were part of on-going actions to be completed by Enterprise Solutions (NW)

Finding

Action was taken to implement all recommendations made following audits by A4e, and their implementation was confirmed at subsequent audits.

Allegation (e)

Finding

The targets specified by the NWDA, and enhanced by Wirral Council were all met. These were verified as correct by the Department of Business, Innovation and Skills (BIS) .

Overall Conclusion

There is no foundation to the allegations of waste of public money , fraud or corruption.