

BIG/ISUS INVESTIGATION

WORKING PAPERS AND DRAFT REPORTS

STRICTLY CONFIDENTIAL

Report to: Peter Timmins-Interim Director of Finance

Report by: [REDACTED]

Preliminary draft based upon a limited review within the time available

1. Purpose of Report:

1.1 To consider whether the hard copy and electronic working papers relating to the BIG/ISUS investigation ("the investigation") adequately support the findings of the draft BIG report and whether the draft report as currently presented would stand up to scrutiny and challenge;

1.2 To take into account the letter from one of the whistleblowers referring to shortcomings in internal audit and requesting that the matter be referred to external accountants to review in place of Internal Audit;

1.3 To recommend actions accordingly.

2. Scope

2.1 The background and details of the allegations are taken as read as these are set out in the current version of the draft report seen by the Interim Director of Finance, previous Acting Chief Executive and Chief Executive.

2.2 A letter has been received from one of the whistleblowers referring, among other things, to perceived shortcomings in internal audit and expressing doubts as to the department's ability to conduct an effective investigation and stating that the only credible course of action is to appoint an external auditor to investigate the allegations.

2.1 At the request of the Interim Director of Finance I have begun the process of collating the hard copy working papers. I have sample reviewed the hard copy files and reviewed electronic copies of most of the interview transcripts available. I have read the draft BIG report. I have attempted to cross reference the findings of the draft report into any supporting working papers, evidence or evaluation. The limited time available has not allowed for a detailed review of all documents and correspondence, much of which is lengthy, complex and discursive. I have not tested any of the findings against evidence, except that I have previously been involved in one particular area of research at the request of the Chief Internal Auditor. It is therefore possible that documentary evidence may exist, but which I have not yet located, which supports work done, evaluation of evidence and conclusions drawn.

3. Conclusions

3.1 In my opinion, based on my limited review to date-

- a. The BIG report as presently drafted will not stand up to external review of the working papers and supporting evidence;
- b. When the findings are publicly challenged the department will not be able to mount a credible defence of those findings because of a lack of a clearly documented evidence trail from the allegations to the findings;
- c. It will be difficult to refute an allegation that all of the allegations have been addressed because of a lack of comprehensive record of all of the allegations and how they have been dealt with;
- d. Likewise, it will be difficult to refute an allegation that the investigation was not even handed, because of a lack of documentary evidence weighing the allegations against evidence from officers or any independent evidence;
- e. Although I have not reviewed the draft ISUS report by reference to the working papers I consider that the above conclusions will also apply to the draft ISUS report which is currently a work in progress.

3.2 It is possible that a process of collation, indexation and the writing of summary conclusions may rectify the apparent shortcomings in the documentation; however, as things stand, it is difficult to envisage it being possible to put forward and defend the report based on the material currently available.

4. Recommendations

4.1 I recommend that-

a. The draft BIG and ISUS reports and working papers should be reviewed by an external firm of accountants or solicitors specialising in investigations for local authorities to form an independent view as to:

- Whether the findings of the report are supported by the working papers and any other available evidence;
- Whether the working papers and other available evidence show that all of the allegations have been addressed;
- Whether the working papers show that a thorough and independent investigation has been undertaken and which supports the findings of the draft reports.

On the basis of a desk top review without independent testing or interviewing of witnesses I would estimate the costs of such a review at £5-10,000.

b. In the event that this review concludes that the draft reports as currently drafted cannot be sustained then an independent firm of accountants or solicitors should be appointed to conduct an investigation into all of the whistleblowers' allegations.

5. Review of Working Papers

5.1 Set out below are some of the matters arising from a limited review of the available hard copy and electronic working papers and the draft BIG report:

- a. There is no summary of the work which has been carried out to test the veracity of the allegations and hence to conclude that each allegation had been fully investigated and all the evidence obtained considered and evaluated in arriving at the findings in the report;
- b. There is no summary of findings linking the draft report to the working papers and hence the supporting evidence;
- c. The working papers have not been arranged in any logical sequence or arranged by subject matter or indexed which would allow the documentary evidence supporting the findings in the report to be located;
- d. There are a very high number of communications from both of the whistleblowers and these have continued from the point of first contact through to the present. Many of these provide new allegations, support for previous allegations or indications as to where evidence can be found to support allegations. These are not collected in one place hence there is no evidence that all of the allegations have been addressed or that all available evidence provided has been considered;
- e. The allegations concern the actions of Enterprise (NW) Limited as well as officers of the authority. There is evidence in the files of some co-operation from that company but also evidence of a lack of co-operation in some instances. There is a lack of clear evidence as to how allegations against that company have been dealt with in the absence of full and open access to their files. Equally, allegations by staff and suppliers of that company against the whistleblowers, including allegations of threats of violence against one of the

business advisers against whom some of the allegations were being made, have not been dealt with in the working papers or reports;

f. There is no evidence in the working papers showing how the allegations and evidence have been evaluated in light of interview or other available evidence and the conclusions formed which form the findings of the draft reports;

g. Some of the hard copy evidence provided by the whistleblowers is not filed but remains in loose format. Accordingly it is not possible to determine whether this evidence has been considered or evaluated;

h. The draft BIG report separates out the allegations relating to Business Investment Grants (BIG) and those relating to Intensive Start-Up Support Programme (ISUS) which are the subject of a separate draft report. There is no document setting out the split of the allegations between the two work streams and draft reports and hence a lack of clarity as to whether all allegations have been dealt with;

i. Original departmental files are held within internal audit on some of the grant applicants but not on others making it difficult to determine what evidence is held relating to those applicants.

j. There is on file a previous, and much more detailed, draft report [REDACTED] which includes numerous evidential appendices. If an exercise were to be undertaken to build a set of evidential working papers to support the current draft of the report then this report and its appendices would make a good starting point. However, for the avoidance of doubt, I would not consider that this report could be released into the public domain and has, in any case, been superseded.
