



Northumberland

County Council

CABINET

Date: 9 April 2019

RECOMMENDATION FROM AUDIT COMMITTEE

Report of the Chief Executive

Cabinet Member: Councillor Nick Oliver, Corporate Services Portfolio & Cabinet Secretary

1. Purpose of report

- 1.1 To provide members with the minuted recommendation from a meeting of the extraordinary Audit Committee which took place on 22nd March 2019 which considered the report of the Chief Internal Auditor regarding Arch Group (dated October 2017) under the County Council's framework of governance, risk management and control.
- 1.2 To request that members 'as those charged with governance' make a formal decision whether to approve the recommendation put forward by the Council's Audit Committee *"that another Police Force investigates the allegations and that simultaneously, Northumbria Police be asked whether anyone has been interviewed in relation to these matters and whether there has been any referral to the Crown Prosecution Service"*.

2. Background

- 2.1 The report of the County Council's Chief Internal Auditor presented findings from the review of five specific governance areas of the County Council's wholly owned group of companies, Arch, which had been jointly commissioned by the (then) Interim Chief Executive of Arch and the (then) Chief Executive of Northumberland County Council in 2017,

- 2.2 The Chief Internal Auditor was given Terms of Reference and objectives of the Review asked that the Council's Audit Committee consider the findings as part of the ongoing framework of governance, risk management and control of those entities within the 'accounting group boundary of Northumberland County Council.
- 2.3 The objectives set out in the Terms of Reference covered the following areas:
- Consultants and Contractors;
 - Employees;
 - Property Portfolio;
 - Hospitality and Gifts;
 - Awards of Major Contracts
- 2.4 During the initial phases of the work undertaken by the Chief Internal Auditor and her team a number of matters where potential criminality were involved were reported to Northumbria Police and these were:
- Specific issues of governance surrounding the purchase of the former Arch Chief Executive's home, by Arch, at a price which appears to have been unrealistically high to deliver expected rental income yields;
 - The disproportionately generous remuneration and package of benefits afforded to a specific contractor (Consultant C).
- 2.5 Ongoing dialogue has continued since July 2017 between senior officers of the Council and Northumbria Police into the above matters and a number of other areas of the review.
- 2.6 The County Council's Audit Committee received the report of the Chief Internal Auditor on Friday 22nd March 2019 regarding the former Arch group of companies, which concluded in October 2017 but which had been embargoed from publication at the request of Northumbria Police until February 2019 when the embargo was lifted. Northumbria Police advised the County Council in writing in August 2017 that "the information provided by the council would warrant the commencement of a criminal investigation" and Northumbria Police stated at that time that "there are a number of possible offences that are under consideration including more specifically fraud and misconduct in a public office". However in February 2019 (confirmed (also in writing) in March 2019) Northumbria Police have confirmed subsequently stated that they have not identified any criminal offences having occurred based on the extensive information which was presented to them

3. Conclusions

- 3.1 This report asks members to consider the specific recommendation of the County Council's Audit Committee of 22nd March 2019 only.

4. Recommendations

Members of the County Council's Cabinet are therefore asked to consider whether they approve:

- 4.1 *“that another Police Force investigates the allegations and that simultaneously, Northumbria Police be asked whether anyone has been interviewed in relation to these matters and whether there has been any referral to the Crown Prosecution Service”.*

Mrs Daljit Lally
Chief Executive Officer

Implications:

Policy:	It is important that the County Council discharges its duties in relation to statutory governance and the law.
Finance and value for money:	It is important that the County Council ensures that public money is accounted for accordingly.
Legal:	It is important that the County Council considers all legal matters.
Procurement:	Not applicable
Human Resources:	Not applicable
Property:	Not applicable
Equalities:	Not applicable
Risk Assessment:	Not applicable
Crime and Disorder:	Not applicable
Customer Consideration:	Not applicable
Carbon Reduction:	Not applicable
Wards:	Not applicable

Background papers:

Nil.

Report sign off:

Authors must ensure that officers and members have agreed the content of the report:

Finance Officer	N/A
Monitoring Offer/Legal	Liam Henry
Human Resources	N/A
Procurement	N/A
IT	N/A
Executive Director:	N/A
Portfolio Holder(s)	Cllr N Oliver

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