

**ARCH STRATEGIC REVIEW**

**POSITION STATEMENT IN RESPECT OF AREAS IDENTIFIED IN INITIAL TERMS OF REFERENCE - WEEK 1 (3-7 July 2017)**

**REVIEW AREA 1 – CONSULTANTS & CONTRACTORS**

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
<p>1. Review and report on the decision making process for the engagement of all consultants and contractors (including the use of procurement and commissioning arrangements where appropriate)</p>	<p><b>IDENTIFYING WHICH CONSULTANTS/ CONTRACTORS HAVE BEEN USED</b></p> <p>There is no register of consultants. We have therefore commenced a range of other checks to compile a list of firms engaged on 'consultant' type work by Arch from 1 April 2016 to date. As our work progresses and we conclude analysis of this time period, we will then go back over earlier years.</p> <p>We have undertaken an analytical review of all payments made from 1/4/15 to date to establish payments made to 'consultant' firms:</p> <ul style="list-style-type: none"> <li>There were payments to 35 companies identified as consultants by their company name (Schedule attached as Appendix A). Total value of payments since 2015 has been £598,489 to these firms. Arch has had highest aggregated spend in this 27 month period with £72k; £81k; £64k.</li> <li>The 10 consultants from this list identified as having received the highest spend from Arch have then been examined further. This includes 4 consultants identified on the Arch staff structure -</li> </ul> <p>These engagements were discussed with the HR Manager and Marketing Manager who were able to give a brief overview of the role of these consultants in the organisation but stated that the appointment and management process was through the Arch Chief Executive or Director of Business Strategy. They confirmed that this was also the case in relation to the recruitment and appointment of</p>	<p>There is no schedule / register of consultants maintained by Arch. Therefore identifying those bodies which have been engaged by Arch for consultancy type work has instead been undertaken manually, using information on payments made to suppliers via the Accounts Payable system. We would expect that most major businesses a register of contracts (including consultant appointments) would be maintained, supported by a repository of supporting documentation, appointment process (quotes, tenders, interviews) and contract/engagement documentation.</p> <p>We were informed by that a number of consultants had been 'stood down' following the elections in May. We were curious as to the decision making process and why these firms had been 'stood down'. The majority were providing professional services linked to 10 projects which had been postponed</p> <p>The schedule did identify 17 consultants not appointed through NEPO/NEPRO contracts. The exact engagement process is uncertain (we have asked for and are awaiting further information on this, and on the terms of the engagement).</p>	<p>We will analyse how the consultants we have identified and chosen for our sample were selected by Arch, whether there is evidence of a competitive process in the appointment, how VFM in the appointment has been assessed, whether there is sufficient detail on what the consultant has been employed to do and whether performance has been adequately monitored and managed.</p> <p>Where a contract / terms of engagement are not available, we will begin to pull invoices in respect of payments made to these contractors in order to view the invoice detail to see if we can piece together what the firm has been used for. Where appropriate we will form a view on value for money.</p>

**REVIEW AREA 1 – CONSULTANTS & CONTRACTORS (continued)**

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
	<p>The paperwork / contracts in relation to the engagement of these top earning consultants in the period has been requested by the Marketing Manager and Head of Project Management – INFORMATION AWAITED.</p> <ul style="list-style-type: none"> <li>A further 17 companies to whom payments had been made in the same period with 'marketing' in their title were then identified (see Appendix B). Total aggregated value of spend with these companies in the period was £62,326. The highest value payments were made to the [REDACTED] (£21,240, [REDACTED] (£9,600) and [REDACTED] (£9,300). The recruitment/appointment/terms of engagement/management/payment of these firms is being discussed with the Marketing Manager on Friday 7 July.</li> <li>There were 22 legal/accountancy/surveying firms identified with expenditure totalling £36,179m. It should be noted that a significant proportion of this is likely to be property acquisition costs rather than legal fees. The 2 firms receiving most payments were [REDACTED] £26.3 million &amp; [REDACTED] £6 million. Both of these firms appear to be used mainly for conveyancing / property acquisitions.</li> </ul> <p>(Our next check is to follow up the procurement process, terms of engagement and contract management information in respect of such firms engaged for professional services.</p> <p>[REDACTED] has been asked to provide the following information:</p> <ul style="list-style-type: none"> <li>List of all consultants used by Arch from April 2016 onwards &amp; the type of service they provide. <ul style="list-style-type: none"> <li>– received on 6 July 2017 – in the process of comparing this with our own analysis drawn from Arch's payment history;</li> </ul> </li> </ul>		

**REVIEW AREA 1 – CONSULTANTS & CONTRACTORS (continued)**

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
	<ul style="list-style-type: none"> <li> <p>█ had mentioned that there were a number of consultants who had been 'stood down' in May 2017. We asked for a list of such 'stood down' consultants – she provided a list of approx. 30 consultants linked to 10 projects. The majority of these 'stood down' consultants were for professional services, engineers, architects, planning and legal services. The procurement route for some of the firms was also identified on the schedule and there was a mix of NEPRO and NEPO procurements, but 17 appointments where the procurement route was not specified. Included in these 17 were 3 consultants not linked to a specific project. These were:                      ○ █                      ○ █                      ○ █</p> <p>The 3 consultants named above are included in the sample of the top 10 earning consultants at the first bullet in this section and will be analysed further next week.</p> </li> </ul>		
<p>2. Review and report on the terms of engagement for all consultants and contractors with particular reference to the pay and reward schemes and any commitment to the supply of equipment and other non-pay elements.</p>	<p>See 1 above – we need to receive the terms of engagement for the sample of consultants / contractors we have selected to progress this aspect of the review.</p> <p>Information was provided by █ in relation to the appointment of █. The only information was a very short document submitted by █ (approx. half a side) setting out his qualifications and previous experience and his self-employed day rate of £350 per day. █ advised that this is the only information available on this contractor.</p>	<p>Need to review documentation for sample selected when this is provided.</p> <p>There is no contract/terms of engagement setting out what the Group are expecting █ to deliver. The information provided is very scant.</p>	<p>See above.</p>

## REVIEW AREA 1 – CONSULTANTS & CONTRACTORS (continued)

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
3. Review payments made to all consultants and contractors with particular reference to: the terms of engagement and the evidence provided regarding the work undertaken and completed, and the authorisation process.	<p>Need to receive invoices for the sample selected to complete this aspect of the review.</p> <p>Copies of invoices from [REDACTED] all have the same wording, "Strategic PR advice and support" then specify the dates worked.</p> <p>These all charge the same day rate, £350, and mileage of 58.7p per mile is being paid even though this contractor has been provided with a car by the Group (this arrangement is being subjected to separate checking).</p>	<p>Need to review documentation for sample selected when this is provided.</p> <p>There is no process in place to verify the work undertaken by [REDACTED]. This would not be possible due to the absence of any terms of engagement and the lack of detail on the invoices in relation to work undertaken.</p> <p>[REDACTED] was provided with a car for use by Arch, therefore we would have expected – if any payment in respect of travel was agreed at all – that fuel should have been reimbursed at cost.</p>	<p>The arrangement made with this contractor and benefits extended to him (see also item 4 below regarding a property provided for this contractor) appear to have been unduly generous.</p> <p>To continue our information gathering and discuss further with Northumbria Police.</p>
4. Is there an inventory of all other terms and conditions for each consultant/contractor available including all items of equipment within an individual's possession?	<p>Discussed with the [REDACTED] who advised there is no inventory or terms and conditions for consultants.</p> <p>[REDACTED] also stated that other than [REDACTED] all other consultants provide all of their own equipment.</p> <p>[REDACTED] confirmed that [REDACTED] had been provided with a rented free house and a car although there was no formal agreement in place regarding this.</p>	<p>The agreement to provide a house to [REDACTED] rent free is being examined as part of the Property aspect of the Strategic Review (heading 3 below). WE can find no written agreement regarding these arrangements.</p> <p>We were informed during our audit by [REDACTED] that the car had been returned by [REDACTED] on 5 July 2017.</p>	
5. Does Arch have the correct insurance cover for each consultant/contractor with regard to any Arch equipment within their possession?	<p>We were informed by the [REDACTED] that no consultants have equipment provided to them from Arch (other than [REDACTED] who received a leased car)</p>		<p>For the sample of consultants selected we will make further enquiries with Arch management, for example yfo ascertain whether there has been any provision of IT equipment such as laptops and also what were the insurance arrangements for the car provided to [REDACTED].</p>
6. Have all benefits in kind to consultants/contractors been correctly accounted for and is all HMRC documentation in place.			<p>Will be followed up with the Finance Team on the basis of information obtained from Test 5.</p>

## REVIEW AREA 2 - EMPLOYEES

We have obtained a list of Arch employees and their salaries, and bank records showing total amounts paid. Developments at Arch towards the end of the week meant that staff with whom we would need to speak in order to access the payroll were not available. This will be picked up and detailed testing on payroll transactions, recruitment processes and benefits in kind undertaken in w/c 10 July. We will then include the work undertaken and outcomes in a similar tabular format to that above against each objective in the Terms of Reference for employees.

**REVIEW AREA 3 – PROPERTY PORTFOLIO**

Note – in the time available this week we have focused on the executive / high value property portfolio. As our work progresses we will extend this to the remainder of Arch's property portfolio.

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
<p>12. Compile a comprehensive portfolio of properties purchased including the value and any other terms associated with the purchase, and, from whom the properties were purchased. If available, review the evidence and documentation to support each purchase to assess whether each purchase has been processed in line with the governance structures of Arch.</p>	<p>We obtained a spreadsheet of high value property rentals. This included address, date acquired, type of property, void/occupied, date occupied, rent pcm, price paid, fees charged, number of void days, rent per day, void cost in days.</p> <p>Executive Portfolio Briefing Note (obtained from [redacted] – prepared for incoming administration?) states – 'Void periods (loss of rent) which indeed have impacted upon the actual performance during 2016/17 as the portfolio and management arrangements have been embedded. The latest tenancy schedule received shows that of the completed properties (44), 40 are occupied providing a 9.1% void rate.'</p> <p>Why is this different from the schedule provided which shows 43 properties? Need to check this. Copies of tenancy agreements received from [redacted] – names of tenants, terms and conditions and the completeness of agreements were recorded. A small number were missing and we need to chase up with [redacted]. We also need to check tenants' names against employee lists.</p> <p>Rental accounts printed from the system which details amounts due and amounts paid - these require correlation to rental amount on agreements.</p>	<p>The number and identities of properties recorded on the rental spreadsheet agrees to the "portfolio of properties purchased" compiled by the Group Assurance Manager. Still some additional checking to do to follow these through to the Board approval minutes (see next column).</p> <p>The [redacted] We are maintaining a timeline of events relating to this property. This has demonstrated that the [redacted] was advertised on [redacted] website on 30 April 2016 for sale for £425,000. This is 1 month prior to the meeting of Arch Investment Committee in May 2016, when the CE presented a strategy for creation of a high quality investment. Can we ascertain whether the initial market value for The [redacted] is a representation of 'like' properties?</p> <p>There is an approval document for the acquisition of this property with details of market value, net price paid, discount percentage, initial annual income rent (stated as £21,000) and yield. [redacted] approved on 8.6.16 and [redacted] ratified the decision also on 8.6.16. Is the initial rent of £21,000 per annum a true reflection of rent charged on similar 'like' properties? Has it been inflated?</p> <p>Email of 8.6.16 from [redacted] querying whether first or second offer had been accepted on the [redacted] and asking that marketing details and rent comparators be included within information provided in the future.</p>	<p>We need to follow through the portfolio of properties actually purchased to the Board approval minutes, to ensure that there was sufficient authorisation for every property purchased.</p> <p>We have drafted a timeline of events relating to the [redacted] and 9 [redacted] Drive. This has identified a number of matters which we need to follow up further:</p>
<p>13. Compile a comprehensive portfolio of all properties leased to tenants including all terms associated with the lease, and, to whom the properties were leased. If available, review the evidence and documentation to support each tenancy to support each tenancy to assess whether a tenancy agreement exists for each tenant and whether the tenancy document is up to date. A summary of the status of the tenants account would also be beneficial.</p>			

REVIEW AREA 3 – PROPERTY PORTFOLIO (Continued)

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
<p>We obtained 2 files labelled 'High Quality Investment Files Paperwork' (only 1 file was given to us initially – the 2<sup>nd</sup> we found under [redacted] desk). These included:</p> <ul style="list-style-type: none"> <li>• Arch Investment Committee Terms of Reference (recorded as annex 1)</li> <li>• Arch Investment Policy (recorded as annex 2)</li> </ul> <p>We also obtained and reviewed:</p> <ul style="list-style-type: none"> <li>• All Arch Group Investment Committee minutes (which we have logged separately to ensure we have a full set)</li> </ul> <p>Arch Group Board minutes (also logged separately to ensure we have a full set)</p> <p>We reviewed the High Quality Investment files and for our audit walkthrough tests chose 2 properties to examine through the acquisition and leasing process. These were:</p> <ul style="list-style-type: none"> <li>• The [redacted] and [redacted] Drive..</li> </ul> <p>We spoke with [redacted] [redacted] week commencing 10 July (relating to a separate matter regarding an invoice).</p> <p>[redacted] would like us to share details of high investment portfolio base with him so he can check all properties have been registered for council tax.</p> <p>We met with [redacted] who is to provide monthly statements to us detailing all rent received. He is also to provide tenancy agreements for The [redacted]. [redacted] advised he has all tenancy agreements apart from one, which is [redacted] tenancy 9 [redacted] Drive, Blyth</p> <p>[redacted] has provided us with an SLA for [redacted] and supporting emails clarifying charges.</p>	<p>We located a Change of circumstances form which had completed for council tax purposes - details of [redacted] Council tax system shows council tax paid by [redacted] from May 2013 to 28 July 2016 on The [redacted] and from 29 July 2016 at the new St. Marys address.</p> <p>Letter from [redacted] solicitor to [redacted] stating they were writing "to exchange and completion of [redacted]". Letter further states "I have completed it on the basis that Arch (Housing) limited have purchased the property from Persimmon Plc on 29 July 2016." Copy of the transaction return shows vendors as [redacted]. Why would the solicitor be stating that the property had been purchased from Persimmon plc when the vendor [redacted]? Or is it a standard template letter used? Land Register document appears to be signed by [redacted]. Blank HMRC attached to letter.</p> <p>Likely rent for this property was shown as £21,000 (£1750 pcm). However the tenancy agreement for first set of tenants [redacted] dated 25.8.16 for 12 months sets rent at £1200 (£550 below that advised by [redacted]). From council tax records liability for this couple is shown from 25 August to 27 November 2016.</p> <p>Rental statements received for [redacted] show rents of £1200 from 26.7.16 to 25.8.16, 26.8.16 and 25.9.16 for £1200 and £120 from 26.10.16 to 25.11.16. Statements also show decoration completed 31.8.16 for £200 and electrical repairs for £55.</p> <p>New tenancy agreement in name of [redacted] dated March 2017 for £1250 for 6 months (£500 below that originally advised by [redacted]).</p>		

REVIEW AREA 3 – PROPERTY PORTFOLIO (Continued)

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
		<p>Investigate why first tenants appear to be in property for only 3 months when tenancy agreement is for 12 months – property was void for substantial period after this until new tenants moved in. It appears they have only paid £2520 for what seems to be 3 month period. Estates team have stated they recall tenants not happy as 'rat/mouse infestation'. Collecting further information for us. Update – correspondence re: rent infestation implies tenants released from tenancy agreement as goodwill.</p> <p>We located an additional 'High Quality Residential Investments approval document after advised rent reduced', relating to the [redacted], within information obtained electronically from [redacted]. This states " it is highly likely from the lower rent realised that this proposal would have been rejected". This document is not dated nor signed and it is not clear who these comments were from, and when they were completed.</p> <p><u>9 Kirshope Drive, Blyth</u></p> <p>Preparation of our timeline for events at this address is in progress, outlining what appears to have happened to this property from acquisition to date. We have been advised that there is no tenancy agreement in place.</p> <p>Council tax shows liability for [redacted] from 20 October 2016 (old address stated as [redacted]). Moved out of previous address on 14 June 2017 as per council tax and into [redacted] Drive on same date. Year of birth for [redacted] which suggests they may be [redacted].</p> <p>Monthly statements were obtained from [redacted] for rental properties within high investment portfolio. [redacted] explained that at start of the process individual statements were received from [redacted] but then as more properties came in the portfolio summarised statements only were received. [redacted] explained he had</p>	

		<p>emailed [redacted] for some of the initial statements as he did not have a complete set. Update –unsigned tenancy agreement forwarded by [redacted] 17.5.17 emails state also copied to [redacted]. Email trail shows that during November 2016 the tenancy agreement had been requested on a number of occasions by [redacted]. Unsigned tenancy agreement states start date 4 October 2016, records a rent of £870 which differs from that recorded on acquisition approval document. £795 and is of a different format to others reviewed from [redacted].</p>	
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**REVIEW AREA 3 – PROPERTY PORTFOLIO (Continued)**

Objective (from the agreed Terms of Reference)	Work Done / Evidence Obtained	Evaluation / Conclusion	Work to Progress Next Week
<p>14. Compile a comprehensive portfolio of properties sold including the value and any other terms associated with the sale and, to whom the properties were sold. If available, review the evidence and documentation to support each sale to assess whether each sale has been processed in line with the governance structures of Arch.</p>			

**REVIEW AREA 4: HOSPITALITY AND GIFTS**

Objective	Work Done / Evidence Obtained	Evaluation / Conclusion	Recommendations / Next Steps
<p>15. Report on details of all expenditure in relation to hospitality and gifts paid for by Arch and names of individuals/organisations that benefitted from that hospitality including Arch employees and board members.</p>	<p>[redacted] is providing a list of Arch hosting events over the last 4 years on 06/07/2017.</p> <p>Gifts and Hospitality Books analysed. Some items did not identify a donor and from further work it was discovered that these are the Arch 'paid for' hospitality to employees. These events may include board members but there is no book for declaration of gifts and hospitality for board members.</p> <p>Review of visa card payments. This revealed the events referred to above. The level of detail, however, is very low and does not include the beneficiaries. Tables paid for at events (e.g. £960 RICS Awards Dinner 2016 at Civic Centre Newcastle) may also include people from other organisations. There was also evidence of other</p>	<p>The apparent level and type of spending in relation to hospitality provided by Arch would appear to be high compared to what would be expected of a local authority organisation. The lack of detail regarding the transactions and declarations means we are unable at present to determine whether there are reasonable explanations.</p> <p>Summary analysis of transaction listing of visa card payments covering 2016 and 2017 shows initial potential expenditure value of around £60k, and with wider scope of potential cost codes to cover areas including marketing and sales promotion, and training, seminars and conferences showing a potential expenditure value leaning towards £90k. Next week we will drill down further and analyse.</p>	<p>Further work required to triangulate data and develop detail using list of events provided by [redacted] along with the other evidence in our possession and further drilling down as required.</p>



	<p>events e.g. drinks bills (e.g. £540 to Bon Bon Leisure on 14/12/2015; £180 across 3 receipts to City Tavern on 08/12/2016) but no detail provided. Additionally, in some cases only the visa chitty is provided i.e. no detail of what was paid for and in some cases no source documentation is attached.</p> <p>Analysis of transaction listing for transactions paid on the visa cards. Individual transactions are coded to e.g. refreshments, subsistence etc so we can see the total visa spend against such items.</p> <p>Analysis of full data set in respect of cost codes begun.</p>	<p>It is not possible to compare the records of Board Members at Arch and NCC CEO with those at NCC as there aren't any records held at either organisation (apart from a single declaration by the Chairman at each organisation (which are unrelated to each other)). This is poor and not the record keeping which would be expected.</p>	
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**REVIEW AREA 4 HOSPITALITY AND GIFTS (continued)**

Objective	Work Done / Evidence Obtained	Evaluation / Conclusion	Recommendations / Next Steps
<p>16. Report on all hospitality and gifts received by employees and Board members paid for by other organisations. Provide confirmation that declarations were completed by Arch employees and Board members.</p>	<p>All 3 gifts and hospitality books were analysed. They are for employees only.</p> <p>Declarations of Interest forms for 2016/17 reviewed. They are held for Board members, senior managers and all employees. The forms for Board members include a section relating to gifts and hospitality received over the past year. Only the Chairman made a declaration in this section relating to one event.</p>	<p>The level of detail held in the books is very low. There appears to be a lack of consistency in the approach taken in completing declarations; some may be contemporaneous entries but some are entered from eg a diary perhaps in a response to a reminder and not necessarily by the individual themselves</p> <p>In respect of gifts and hospitality, it is not possible to compare the records of Board Members at Arch and NCC CE with those at NCC as there aren't any records held at either organisation (apart from a single declaration by the Chairman at each organisation (which are unrelated to each other).</p> <p><b>To complete</b></p>	<p>Finalisation of findings and documentation</p>
<p>17. Report on the register of interests completed by employees and Board members to identify whether this is in existence and has been updated regularly.</p>	<p>Declarations of interest forms reviewed. They are held for Board members, senior managers and all employees. A new register is compiled annually.</p>		<p>Finalisation of findings and documentation</p>

**REVIEW AREA 5: AWARD OF MAJOR CONTRACTS**

The work in respect of consultants / contractors has started to provide information for this area – to pick up and review against the ToR objectives in this area next week.

Arch Strategic Review –  
ToR Objective 1 (Consultants and Contractors)

Payments made to companies with the word 'consultant' in the title  
(ordered in descending order by value - top 10 highlighted yellow and selected for further review):

Company	2015/16	2016/17	2017/18 (part year to date)	TOTAL
	25,470.00	55,620.00		81,090
	32,742.00	30,090.00	9,180.00	72,012.00
		56,214.22	7,700.00	63,914.22
	17,940.00	30,870.00	8,580.00	57,390.00
	43,132.80	12,180.00		55,312.80
		18,414.00	23,459.93	41,873.93
		29,520.00	12,250.00	41,770.00
		22,600.00	10,800.00	33,400.00
	9,075.00	9,182.10	867.00	19,124.10
	10,490.46	4,983.67		15,474.13
	12,480.00			12,480.00
	8,285.02	3,864.00		12,149.02
		11,460.00		11,460.00
	10,550.00			10,550.00
	9,815.39			9,815.39
	2,160.00	6,840.00		9,000.00
		8,056.45	929.26	8,985.71
	5,349.60	1,170.00	1,620.00	8,139.60
	7,800.00			7,800.00
			3,600.00	3,600.00
	3,510.34			3,510.34
		2,436.00	624.00	3,060.00
	2,518.56			2,518.56
	1,742.34		128.40	1,870.74
		1,800.00		1,800.00
		1,440.00		1,440.00
		1,415.18		1,415.18
		1,380.00		1,380.00
			1,284.00	1,284.00
		1,200.00		1,200.00
			996.00	996.00
		900.00		900.00
			792.00	792.00
			741.25	741.25
		240.00		240.00
	<b>£203,062</b>	<b>£311,976</b>	<b>£83,552</b>	<b>£598,489</b>

Arch Strategic Review –  
ToR Objective 1 (Consultants and Contractors)

Payments made to companies with the word 'media' or 'marketing' in the title  
(ordered in descending order by value - those highlighted yellow selected for further review):

Company	2015/16	2016/17	2017/18	TOTAL
[REDACTED]	21,240.00			21,240.00
[REDACTED]	9,600.00			9,600.00
[REDACTED]		9,300.00		9,300.00
[REDACTED]		4,200.00		4,200.00
[REDACTED]	4,182.00			4,182.00
[REDACTED]			3,500.00	3,500.00
[REDACTED]		2,358.50		2,358.50
[REDACTED]		2,352.00		2,352.00
[REDACTED]	546.60	726.61		1,273.21
[REDACTED]	909.60	300.00		1,209.60
[REDACTED]		1,200.00		1,200.00
[REDACTED]		691.20		691.20
[REDACTED]	600.00			600.00
[REDACTED]		250.00		250.00
[REDACTED]	177.00			177.00
[REDACTED]	100.00			100.00
[REDACTED]		93.00		93.00
	£37,355	£21,471	£3,500	£62,327

**APPENDIX C**

**Arch Strategic Review –**

**ToR Objective 1 (Consultants and Contractors)**

**Payments made to companies likely to be delivering ‘professional services’**

<b>Company</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>TOTAL</b>
[REDACTED]		19,635,446.07	6,727,216.32	26,362,662.39
[REDACTED]	2,397,676.84	3,556,512.01	3,267.00	5,957,455.85
[REDACTED]	312,035.23	308,348.40	833,234.00	1,453,617.63
[REDACTED]	801,590.10	20,442.45	13,280.56	835,313.11
[REDACTED]	348,668.09.09			348,668.09
[REDACTED]	37,242.41	285,634.08	137,150.98	460,027.47
[REDACTED]	64,926.00	135,570.00	31,800.00	232,296.00
[REDACTED]		121,844.88	40.00	121,884.88
[REDACTED]		59,781.00	30,846.00	90,627.00
[REDACTED]	90,000.00			90,000.00
[REDACTED]	73,661.09	720.00		74,381.09
[REDACTED]		30,960.00	21,048.00	52,008.00
[REDACTED]	6,000.00	33,208.19	10,068.00	49,276.19
[REDACTED]	11,721.26	8,400.52	6,180.00	26,301.78
[REDACTED]	8,274.50			8,274.50
[REDACTED]	5,392.80	2,481.60		7,874.40
[REDACTED]	2,400.00			2,400.00
[REDACTED]			1,770.00	1,770.00
[REDACTED]	1,500.00			1,500.00
[REDACTED]		1,440.00		1,440.00
[REDACTED]	600.00			600.00
[REDACTED]	522.00			522.00

ARCH STRATEGIC REVIEWOther areas of review referred to or identified by Internal Audit but not covered by the original Terms of ReferencePosition Statement: WEEK 1 (3-7 July 2017)

Issue Identified	Work Required	Findings
Vehicles (and purchase of fuel and car tax). A number of payments for fuel and road fund licence were identified from the Arch Accounts Payable information obtained	<p>Obtain a schedule of Arch Group vehicles. Compare the vehicle registrations identified on the transaction listing to this schedule to determine if they are Arch group vehicles or not.</p> <p>Review the schedule of vehicles to determine what types of vehicles Arch have and who uses them.</p> <p>Review Visa Card bank statements from Jan to date to see if any vehicle related transactions</p>	<p>Work underway and areas for follow up identified:</p> <ol style="list-style-type: none"> <li>1) The purchase of a 'pool' car in June 2016 – Kia Sportage for £22.1k. This is the only 'Pool' car on the schedule of vehicles and has been used by [REDACTED] (described by [REDACTED] as 'bought for [REDACTED] to use') was purchased the month following [REDACTED] commencing work as a consultant for the Group and returned to Arch 4 July following [REDACTED] being 'stood down' as a consultant in May 2017 (this vehicle is on the schedule of vehicles provided). Invoice to be obtained to check for authorisation.</li> <li>2) The purchase of a Toyota Hilux Invincible (Registration Number [REDACTED]) in September 2015 for £29,092.78 from [REDACTED]. This vehicle is not on the schedule of vehicles provided. Invoice to be obtained to check for authorisation and establish if this vehicle is still owned by the Group and if so by whom and what for and if it is on an asset register.</li> <li>3) A number of other smaller vehicle related transactions, some specifying vehicle registration numbers and others not. To be followed up to establish whether the expenditure related to Arch owned vehicles.</li> </ol>
Obtain a schedule of budget holders	Requested (6 July) – not received to date	
Identify if the undertakings of Arch Group would be affected in any way by State Aid Rules (not an urgent aspect of the review)	Speak to [REDACTED]	
Cash for overseas trip.	Reviewed expenditure report and identified a Travel Money transaction for £2,056.18 on	

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	3/10/16. There was a further £2,602.95 on the same dates relating to Hotel, Travelling and Entertainment. Supporting documentation to be followed.	
<p>██████████ – Company referred to IA by ██████████ as noticed that ██████████ and ██████████ are directors. (██████████ at Arch)</p>	Review of company.	<p>Initial review of company has shown it was established by ██████████ on 1 August 2016 with 'statement on capital' of £200. In January 2017 this increased to £2,300, 200 following an allotment of shares, ██████████ and ██████████ (Arch Directors) were added as company directors and the company address changed to Arch's address.</p> <p>As part of the Arch group accounts received we have received the accounts for ██████████. Further work required to establish how this partnership has evolved.</p>
<p>██████████ – company highlighted to IA by ██████████ as ██████████ a Director.</p>	Review of company.	Reviewed on Companies house. Company dissolved March 2014. More work to be undertaken to see if any relationship with / payments received from Arch.
Review of debit/credit card transactions (excluding hospitality as this is being covered by the Hospitality and Gifts element of the Strategic Review)	Isolated transactions and ██████████ commenced review.	
Review of petty cash	██████████ has carried out a review of transactions and has some queries to follow up.	
Identification of unusual payments direct from the bank	██████████ is reviewing bank statements to identify any unusual payments	
██████████	Potential future land purchases of £11m GDV identified in minutes.	