

**Meeting of the Full Council  
Meeting to be held on Thursday, 13 December 2018**

Report submitted by: Head of Legal and Democratic Services

**Part A**

Electoral Division affected:  
None;

**Report of the Audit, Risk and Governance Committee (Part A)**  
(Appendix 'A' refers)

Contact for further information:  
Josh Mynott, Tel: (01772) 534580, Democratic and Member Services Manager,  
josh.mynott@lancashire.gov.uk

**Executive Summary**

The Audit, Risk and Governance Committee meeting on 29 October 2018 considered the report of the independent auditor on the Neighbourhood Wellbeing Initiative Grants. Full Council is invited to consider the recommendations of the Committee.

**Recommendation**

That Full Council be asked to consider the report of the independent auditor on the Neighbourhood Wellbeing Initiative Grants.

**Background and Advice**

At its meeting on 14 December 2017, Full Council resolved:

"That Council is concerned about the circumstances surrounding the payment of 'Neighbourhood Wellbeing Initiative' grants totalling £500,000 in February and March this year. There was no budget provision for these grants which were paid on the recommendation of individual County Councillors and authorised by County Councillor Ali, the then Cabinet Member for Health and Wellbeing. There was no vetting by County Council Officers of either the applicants or the proposed purpose to which the grant would be put and it is of particular concern that almost £300,000 of these grants were recommended and authorised by County Councillor Ali himself.

Council therefore resolves to ask the External Auditor to carry out an investigation into the manner in which these grants were recommended, approved and paid and

report her findings to the Audit, Risk and Governance Committee for their consideration."

The council's external auditor was approached, but was unable to secure agreement to do so from Public Sector Audit Appointments Limited, the company that oversees the appointment of independent auditors in local government. It was therefore agreed to approach alternative audit bodies. Max Thomas, Director and Head of Internal Audit at Veritau, a local authority shared services company providing internal audit in the North Yorkshire region, was appointed to conduct the investigation.

The report was considered by the Audit, Risk and Governance Committee on 29 October 2018. The Committee resolved:

"That the report by the independent auditors, 'Veritau', presents an alarming breakdown in the proper mechanisms for controlling the county council's expenditure. The report demonstrates what can happen if a county councillor adopts the roles of officers and those officers charged with the responsibility of ensuring financial probity at all times are then unable to carry out their responsibilities effectively.

The report is a damning indictment and it is of concern that, as Cabinet Member for Health and Wellbeing, County Councillor Ali:-

- Gave instructions that all applications for a grant should be submitted only to him.
- Screened the applications for grants without any predetermined criteria for their determination.
- Did not retain a record of those projects not approved by him nor of the reasons for their exclusion.
- Changed the threshold suggested by officers for those applications requiring further checks.
- Approved grants to organisations known to him and in his own division of Nelson East and approved grants totalling £268,000 to organisations in Nelson and the surrounding area.

Committee is also concerned that in publicising the awarding of the grants, some Labour County Councillors sought to give the impression to their electorate that these grants had been given by the Labour Party and not by Lancashire County Council.

Committee therefore resolves that the Chief Executive and Director of Resources be requested to:

- i) Report to a future meeting of this Committee setting out the responsibilities of Lancashire County Council's officers in relation to council expenditure and outlining a protocol to be followed when grants are awarded to community groups and other voluntary bodies with a view to reporting to Full Council in due course.
- ii) Report this matter to Lancashire Constabulary for investigation to determine if there has been any fraud, misconduct in public office or a criminal breach of electoral law.

iii) Submit the report to Full Council as a Part I item with any necessary redactions."

In accordance with recommendation (iii), the redacted report is now presented to Full Council at Appendix 'A'. Note that the redacted information consists of names and posts of officers of the county council below the level of Director, in line with usual practice. No other information has been redacted.

### **Consultations**

Drafts of the report were shared with key individuals involved in the investigation, and the final report takes into account any comments made.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

There are no legal or financial implications in this report. The Appendix sets out further information on any legal or financial implications of the original decisions to award the Neighbourhood Wellbeing Grants.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A