

Internal Audit – Terms of Reference

Land Transactions – Assurance Review

1. Background

- 1.1. During a planned audit review of the Council's arrangements for asset disposals and purchases which began in July 2017 as part of the 2017/18 Internal Audit plan, a report into specific issues around one specific site was produced. Further transactions were then identified for detailed review, and the scope of the planned work was updated after matters were raised following the departure of the former Leader, and the suspension of senior officers. Having made referrals to Cheshire Police in 2018, investigations were progressed by them.
- 1.2. As a result of the internal audit findings, and subsequent referrals, a consolidated report was issued, highlighting the main control issues which were identified within the individual reports. This was published as final in August 2018, Actions arising from this report were agreed and responsibility for ensuring that they were implemented was allocated to the Executive Director Place (Deputy Chief Executive). The Audit and Governance Committee received an update on this work as part of the regular updates to the Committee on the Internal Audit plan.
- 1.3. The Land Transaction concerns were included within the Annual Governance Statement from 2016/17 onwards. Detailed follow up of progress against the implementation of the actions was also undertaken by Internal Audit, and this concluded that overall, substantial progress had been made in addressing the risks identified in the initial audit report.
- 1.4. Further work was undertaken by Internal Audit to seek assurance that the previously identified issues had been addressed and the overall control environment was sufficiently robust to mitigate the associated risks. The final report was published in November 2020 with satisfactory assurance provided. The Audit and Governance Committee received an update on this work as part of the regular updates to the Committee on the Internal Audit plan.
- 1.5. In November 2021, the Crown Prosecution Service confirmed that they would take no further action on the land transaction referrals, and Cheshire Police announced that they would be taking no further action.
- 1.6. The Council's previous External Auditors, Grant Thornton identified the referral to Cheshire Police as one of the items qualifying their Value for Money (VFM) opinion for a previous year of accounts. The external audit was qualified for two years relating to these and other governance issues, and Grant Thornton formally concluded that the Council had inadequate arrangements in its leadership and governance.

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- 1.7. Grant Thornton have endorsed the completion of this piece of assurance work as a recommendation of their Public Interest Report.

2. Objective

- 2.1. To undertake a review of recent land transactions (acquisitions and disposals) and provide assurance that the findings and implemented actions from previous internal audit work, and changes made by the service have been complied with. This review will also provide assurance on whether the processes now in operation would detect or deter non-compliance.

3. Scope

- 3.1. The review will cover the effectiveness and operation of the policies, systems and procedures put in place following the previous audit reviews. Testing of current procedures will be focused on transactions generated within the 2020/21 and 2021/22 financial years.
- 3.2. The review will provide assurance on the effectiveness of arrangements to manage the following risks:
 - 3.2.1. **Risk 1:** There are insufficient strategy, guidance and procedures relating to land purchases and sales leading to unauthorised, incorrect, or unplanned decisions being taken resulting in financial losses or missed opportunities.
 - 3.2.2. **Risk 2:** Weak/ineffective arrangements in place for the valuation of land leading to land being valued incorrectly resulting in a financial loss or a potential missed transaction.
 - 3.2.3. **Risk 3:** Inadequate arrangements are in place for recording the transactions relating to the purchase, sale and value of land in the accounts leading to errors or misstatements in the financial statements.
- 3.3. Finally, the review will identify the latest position in relation to sites previously subject to review by Internal Audit.

4. Approach and Deliverables

- 4.1. The review will need to be conducted in such a way as to comply with the Public Sector Internal Audit Standards and ensure conclusions are evidence based.
- 4.2. Principal activities are expected to include a review of available documentation in relation to the transaction, discussion with relevant

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individuals (where possible to do so) and testing of compliance with the controls in place at the time of the transaction and testing against the current control environment.

4.3. The results of the review will be presented in a report, including:

4.3.1. the findings of this review

4.3.2. levels of assurance provided by the controls in operation (at the time, and currently); this will include the outcome of testing to establish any areas where controls were overridden by management, or where management's approach and attitude to management controls was non-compliant, as well as reviewing the effectiveness of the design of the controls.

4.3.3. recommended actions for management to consider in further improving the control environment.

4.4. The outcome of this report will be considered in the public domain in order to meet the requirements of the Public Interest Report recommendation that

The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6 of the public interest report), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report

4.5. Careful consideration will be needed in the drafting of this report to provide a balance between transparency between issues being identified and meeting the Council's statutory requirements for example under the Data Protection Act 2018 and the General Data Protection Regulations.

5. Timescales

5.1. The intention is to complete the review fieldwork, produce the report and agree any management actions, for the report to then be considered the Audit and Governance Committee.

6. Agreement, management responses and points of contact

6.1. The Council's Chief Executive, Executive Director of Place, Director of Governance and Compliance, and Director of Finance and Customer Services provided agreement to this brief, following consultation with Grant Thornton.

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- 6.2. Management responses for any actions identified in the internal report, and to any recommendations arising from the external auditor's work will be provided by the relevant CLT member in agreement with the Chief Executive.
- 6.3. The point of contact for the review will be the Head of Audit and Risk and the review will be undertaken by the acting Internal Audit Manager.

Declaration:

Staff within the Internal Audit function have appropriate regard to the services' Code of Ethics, which is consistent with the requirements of the Public Sector Internal Audit Standards.

In order to ensure that the independency of Internal Audit is continually maintained, those involved in conducting this review confirm that there are no potential conflicts of interest in carrying out this assurance work, and that no operational roles have been held in relation to this area over the last 12 months.