

OPEN – Covering Report and Appendix 1

NOT FOR PUBLICATION – Appendix 2

By virtue of paragraph 7 of Part 1 Schedule 1 of the Local Government Act 1972.

Audit and Governance Committee

8th June 2023

Land Transactions – Internal Audit Review

**Report of: David Brown, Director of Governance and Compliance
(Monitoring Officer)**

Report Reference No: AG/02/23-24

Ward(s) Affected: All

Purpose of Report

- 1 This report provides Audit and Governance Committee with the findings and actions from the review of Land Transactions undertaken by Internal Audit (Appendix 1). The Committee, by receiving this internal audit report completes a requirement of the Public Interest Report as agreed by Council on 1 February 2023.

Executive Summary

- 2 The public interest report provided three recommendations and a historical narrative related to procurement events in 2014/15. Council agreed the three recommendations of the report and agreed that Audit and Governance Committee will receive a further internal audit report to conclude the recommendation at 3.3(ii) in the Council report.
- 3 The Terms of Reference for the internal audit review of Land Transactions was shared with the Committee on 9 March 2023. The internal audit review has been completed, and a “Good Assurance” opinion has been provided. A copy of the internal audit report is provided as Appendix 1.
- 4 Appendix 2, which is a Part 2 item, provides a summary of the site-specific reviews originally undertaken by internal audit, and details of the current uses of these sites. This is provided as context for the Audit and Governance Committee members, and to demonstrate the

improvements in the control environment which both earlier, and the most recent internal audit reviews have demonstrated.

RECOMMENDATIONS

The Audit and Governance is recommended to:

1. Receive the findings of the internal audit review on Land Transactions (Appendix 1) and note the "Good Assurance" opinion.
2. Determine whether, based on the findings of the review, there are further actions to be taken.

Background

- 5 Grant Thornton provided a report in the public interest on historical matters relating to Cheshire East Council. This was published by Grant Thornton on 17 January 2023 and was considered by Council on 1 February. The external auditor's report made three recommendations to Council which were all accepted. Council agreed that Audit and Governance Committee will receive a further internal audit report to conclude the recommendation at 3.3(ii) in the Council report.

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

- 6 The specific matters referred to above relate to further assurance work being carried out by internal audit in relation to land transactions (acquisitions and disposals). This follows from the initial work carried out in the 2017/18 plan, which resulted in referrals to Cheshire Police being made in March 2018 and the qualification of the 2017/18 Value for Money opinion.
- 7 Grant Thornton set out in the Public Interest Report at paragraph 12.14, that they have not reported on the land transaction matters, as they considered the public interest to be served by using the procurement matter as an exemplar, but as set out in the recommendation, the issues need to be considered by the Council.
- 8 This review on land transactions has been undertaken to provide assurance that the findings and implemented actions from previous internal audit reviews, and changes made by the service have been

complied with, and to provide assurance on whether the processes now in operation would detect or deter non-compliance.

- 9 The internal audit review has provided a “Good Assurance” opinion, based on the testing completed. Internal audit use a standard set of opinions, and a “Good Assurance” is the most positive opinion provided. It means that;
 - (a) controls are in place to mitigate against the risks identified in the terms of Reference.
 - (b) Testing has shown that controls are working effectively and consistently to ensure that key risks are well managed.
 - (c) No high-level recommendations have been made although there may be a small number at medium level. Some changes in the control environment may be beneficial to enhance performance and realise best practice.
- 10 No recommendations for further improvements have been made in this internal audit review, however the service have plans for further development and are focused on continuous reflection and improvement. Management have already invited internal audit to return to review arrangements again, likely to be in the 2024/25 internal audit plan.

Consultation and Engagement

- 11 The terms of reference for the current assurance work, set out at Appendix A were drafted with input from Grant Thornton. A copy of the terms of reference have been provided to Mazars for information.

Reasons for Recommendations

- 12 Receiving the report at Appendix 1 and 2 (Part 2), completes the responsibility given to the Audit and Governance Committee by Council, and completes the requirement of the Public Interest Report (see paragraph 5).

Other Options Considered

- 13 No other options considered as this would represent a failure to implement the recommendations of the Public Interest Report as agreed by Council.

Implications and Comments

Monitoring Officer/Legal

- 14 The requirements for the Council to respond to the Public Interest Report are set out in Schedule 7 of the Local Audit and Accountability Act 2014.
- 15 Under the provisions of the Act, the Council must decide if the report requires the authority to take any action and if the recommendations are accepted. The recommendations and responses are set out in the body of this report and after considering the report and the responses, Council must notify the external auditor of its decisions and publish a notice containing a summary of those decisions which has been approved by Grant Thornton.

Section 151 Officer/Finance

- 16 There are no direct financial implications arising from the recommendations of this report; Internal Audit resource had already been allocated within the 2022/23 plan for assurance work on land transactions, and a small amount of contingency from the 2023/24 plan will be used.
- 17 Additional cost could be incurred if further work is required by the current external auditors as a result of the Public Interest Report and its recommendations, and / or review of Internal Audit's work on land transactions highlighted above; no such indication has been made by Grant Thornton at the time of the report.

Policy

- 18 There are no direct implications arising from the recommendations of this report.

Equality, Diversity and Inclusion

- 19 There are no direct implications arising from the recommendations of this report.

Human Resources

- 20 There are no direct implications arising from the recommendations of this report.

Risk Management

- 21 The work carried out by Internal Audit provides positive assurance on the effectiveness of arrangements to manage risks identified in the terms of reference.

Rural Communities

22 There are no direct implications arising from the recommendations of this report.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

23 There are no direct implications arising from the recommendations of this report.

Public Health

24 There are no direct implications arising from the recommendations of this report.

Climate Change

25 There are no direct implications arising from the recommendations of this report.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit and Risk josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix 1 Internal Audit Assurance Report – Review of Land Transactions Appendix 2 Update on site specific reviews; <i>Appendix 2 contains exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act 1972 and is not for publication.</i>
Background Papers:	Public Interest Report - 17 January 2023 https://www.cheshireeast.gov.uk/pdf/council-and-democracy/council-finance-and-governance/public-interest-jan2023/cheshire-east-council-final-17-january-2023.pdf Council papers and minutes – 1 February 2023 http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=239&MIId=9701&Ver=4 Audit and Governance Committee, Public Interest Report – 9 March 2023 http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s101787/Report.pdf