

Internal Audit Report

Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income, May 2017

To: Commissioning Director of Growth and Development, LBB
Resources Director, LBB
Commissioning Lead, LBB
Partnership Relationship Manager, LBB
Operations Director, Re
Associate Director, Planning, Re
Head of Performance and Risk, Re
Planning Performance and Business Development Manager/Interim Head of Development Management, Re
Head of Strategic Planning, Re
Infrastructure Planning Team Manager, Re
Growth Manager, Re

From: Head of Internal Audit
Internal Audit Trainee

We would like to thank management and staff of Re and CSG for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
	Critical	High	Medium	Low	Advisory
Limited	-	1	4	1	1
Scope					
<p>The purpose of this two phase review is to review the design and operational effectiveness of key controls associated with the administration of the Council's CIL scheme and S106 agreements. This phase (Phase I) considered the processing of CIL charges, monitoring of income and income projection. Phase II will be performed in Q2 of 2017/18 and will focus on expenditure, benefits monitoring and governance.</p>					
Summary of findings					
<p>We found that whilst there were established controls in place to identify and manage CIL charges and S106 agreements, a number of improvements should be made to improve the robustness of the control framework. There is a need to embed oversight and segregation of duties into key processes such as the performance of manual CIL charge calculations and the issuing of reliefs or discounts to mitigate the risk of fraud and error. CIL charges represent a significant income stream for the Council and individual CIL charges can be high value transactions. It will be important to introduce an effective, proportionate approach to ensure there is effective oversight in this area.</p> <p>We did find that management are proactively addressing some known issues with the controls and processes in place. For example management had identified weaknesses in relation to developing income projections to assist in forward planning and to address this, in collaboration with Navigant, an external consultancy firm, a Capital Investment Model has been developed which will be used for income projection going forward.</p> <p>This audit has identified 1 high, 5 medium and 1 low risk findings. We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • CIL calculation accuracy (finding 1, high) – There is currently no formal proactive management review or oversight of the performance of calculations to confirm the accuracy of CIL calculations and no proactive review or approval of the application of discounts and reliefs to confirm that these have been applied appropriately and in line with the scheme or relevant legislation. The Council received £9.6m of CIL income in 2016/17 and £4.5m of reliefs and discounts were offered in the period. CIL represents a significant income stream for the Council and individual charges can be high in value. The manual nature of certain calculations and the potential incentive to commit fraud due to transaction values mean that it is important to have management oversight and segregation of duties embedded into the calculation process and issuing of reliefs/discounts to mitigate discrepancies due to fraud or error. • Internal procedure documents (finding 2, medium) – There are a number of teams across the Council, Re and CSG that are involved in processing CIL and S106 liabilities. There are no procedure documents in place to clearly define respective responsibilities of Officers/Teams involved in the process; 					

- **CIL and S106 schedules (finding 3, medium)** – CIL and S106 schedules are currently maintained within Excel spreadsheets to assist in the management of charges and agreements. Data integrity issues were identified where there appeared to be a duplicate trigger point status, legacy schemes which had not been deleted, and duplicate schemes where planning applications had been superseded. The spreadsheets require a considerable amount of manual input to maintain and keep up to date. The manual nature of the process heightens the risk of data accuracy issues arising due to fraud or error;
- **CIL charge identification (finding 4, medium)** – Planning officers assert that a review occurs of the CIL form submitted by the planning applicant which is subsequently used to identify CIL eligible schemes and inform the CIL charge calculations to ensure that the details set out are correct and consistent with the planning application. This control is not formally mapped into planning team procedures and it is not clear what is performed as part of these checks. We found two instances where Planning Officers had not marked eligible applications as 'CIL liable' in the Uniform system and therefore a CIL charge was not created. There are no mitigating controls in place to identify schemes that were not identified by planning officers as potentially being CIL liable and marked within the system due to manual error;
- **Payments to Transport for London (TfL) (finding 5, medium)** – We found that payments made to TfL regarding Mayoral CIL had not been made on-time, potentially leading to the Council being liable to a 5% charge on the Mayor CIL amount due. In Q4, 2015/16, this would have represented 5% of £1.5m.
- **Proactive following up of CIL/S106 liable schemes (finding 6, low)** – We found that there are no routine proactive mechanisms in place to determine whether scheme or charge 'trigger' points have been reached and that CIL and S106 liabilities become payable.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p>CIL calculation accuracy – Control design</p> <p>We found:</p> <ul style="list-style-type: none"> The Planning Obligations Officer is responsible for calculating CIL charges as well as applying reliefs and discretionary discounts in line with CIL legislation and the Council's CIL scheme; The calculation of CIL charges is undertaken in the Uniform system however in some instances where schemes are more complex, due to large scale mixed usage for example, calculations are performed with use of an Excel spreadsheet and can be complex; There is currently no formal proactive management review or oversight of the performance of calculations to confirm the accuracy of calculations; and There is no proactive review or approval of the application of discounts and reliefs to confirm that these have been applied appropriately and in line with the scheme or relevant legislation. <p>It should be noted that we did not identify any issues around the accuracy of CIL charges for the sample of 25 charges subject to testing as part of the review.</p> <p>The Council received £9.6m of CIL income in 2016/17 and £4.5m of reliefs and discounts were offered in the period. CIL represents a significant income stream for the Council and individual charges can be high in value. The manual nature of certain calculations and the potential incentive to commit fraud due to transaction values mean that it is important to have management oversight and segregation of duties embedded into the calculation process and issuing of reliefs/discounts to mitigate discrepancies due to fraud or error.</p>	If Officers do not process CIL liabilities correctly – either through error or intentional fraudulent activity – then the Council may lose income to which it is entitled though the CIL scheme.	High	<p>a) Proposals for a revised approach will be agreed at the next meeting of the Strategic Planning Operations Board in May 2017.</p> <p>Responsible officers: Head of Strategic Planning, Re Commissioning Lead – Planning, LBB</p> <p>Target date: May 2017</p> <p>b) Mechanisms for review and oversight of the calculation and discount/relief process will be established. We will develop parameters to ensure that high value/complex calculations are reviewed by another officer and high value discounts will be reviewed and authorised before processing. A sample of other CIL calculations and charges generated by Planning Obligations Officers will be verified on a periodic basis. Evidence of such checks will be documented and kept on file.</p> <p>Target date: 30 June 2017.</p>

Ref	Finding	Risks	Risk category	Agreed action
2.	<p>Internal Procedure Documents - Control design</p> <p>We found:</p> <ul style="list-style-type: none"> There are no internal procedure documents that set out responsibilities within the various departments and set out the end to end process to support the administration of CIL; There are a number of different teams involved in the identification, processing and collection of the Community Infrastructure Levy (CIL). Processes involve several departments within Re and CSG including Planning, Vetting, Obligations, Local Land Changes and CSG Finance; Due to the number of teams involved in the process there are a number of dependencies and a lack of clarity and awareness around respective responsibilities in the administration of CIL; and There is a high level of dependency on one member of the Planning Obligations Team who is responsible for the processing of CIL. Without procedure notes in place this represents a potential single point of failure in the instance of absence or staff turnover. <p>Management stated that the processes that Re follow are clearly set out in the CIL regulations which comprehensively document expectations regarding the processing of CIL; however, it was agreed that procedural notes will assist officers in performing their roles and responsibilities and that they will supplement the regulations.</p>	<p>If expectations regarding the detection, processing and collection of CIL are not clearly communicated to Officers then activity may be undertaken inappropriately or inconsistently resulting in required outcomes not being achieved.</p>	Medium	<p>Internal procedure documents will be produced that set out the roles and responsibilities of all teams involved in the processing and collection of CIL and S106 liabilities.</p> <p>Once issued the procedure documents will be communicated to all relevant Officers involved in the processing of CIL and S106 liabilities.</p> <p>Responsible officers: Infrastructure Planning Team Manager, Re Planning Obligations Officer, Planning, Re</p> <p>Target date: 31 July 2017</p>
3	<p>CIL and s106 schedules - Control design</p> <p>The Planning Obligations team maintain a schedule of all CIL and S106 obligations within an Excel spreadsheet. The spreadsheet is used to record and manage CIL and S106 charges and record key information regarding the development, associated charge and current status. It is also used by the Local Land Changes Team to confirm data within</p>	<p>If schedules used to monitor CIL and S106 liabilities contain errors or are not up to date then the management of</p>	Medium	<p>Agreed Action:</p> <p>The procurement of the EXACOM system will be prioritised to replace the need for manual spreadsheets to coordinate the management of</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>Uniform – the case management system used by Re - is current when performing searches of Local Land Charges.</p> <p>We found that there were a number of limitations and data integrity issues with the spreadsheets currently used. For example we identified:</p> <ul style="list-style-type: none"> • Instances where legacy schemes had not been deleted from the schedule and several CIL liabilities shown on the schedule which related to different planning applications for the same property; • Instances where CIL liabilities have been deleted but were still showing in the schedule; • Occurrences where there appeared to be inconsistencies in the trigger point status for S106 liabilities; and • Instances where components of the CIL charge had not been included in the relevant cell within the spreadsheet. <p>The spreadsheets require a considerable amount of manual input to maintain and keep up to date. The manual nature of the process heightens the risk of data accuracy issues arising due to fraud or error and there is no audit trail to identify changes made due to inherent limitations of using a spreadsheet for this function.</p> <p>Management confirmed that their intention is to procure the EXACOM system which will replace the Excel spreadsheet and consider that the use of EXACOM would make CIL administration simpler, provide a better way of managing section 106 contributions and allow better monitoring of allocation and expenditure of CIL and S106 funding, including the ability to run reports and workflows to ensure management verification of key data/charges.</p>	<p>charges may be undertaken inappropriately or inconsistently resulting in income not being collected.</p>		<p>CIL/S106 charges.</p> <p>Responsible officer: Growth Manager, Re</p> <p>Target date: 30 June 2017</p>

Ref	Finding	Risks	Risk category	Agreed action
4.	<p>CIL charge identification - Control design</p> <p><i>Verification of applicant details</i></p> <p>A CIL form must be completed by the applicant as part of the process for any planning application. The details per the CIL form, including details regarding the size of development, are used to inform the calculation of the CIL charge and whether the development is CIL liable. We found:</p> <ul style="list-style-type: none"> Planning officers assert that a review of the CIL form occurs to ensure that the details set out are correct and consistent with the planning application. This control is not formally mapped into planning team procedures and it is not clear what is performed as part of these checks. For example it is not clear whether the size of development per the CIL form is reconciled to technical drawings submitted to support the planning application; and The check is not documented as part of the planning application assessment process. <p><i>Charge identification and scheme referral</i></p> <p>Planning officers mark applications as 'CIL liable' where relevant CIL eligibility criteria are met within the Uniform system by ticking a box. This automatically informs Planning Obligations to investigate whether CIL is due. We found:</p> <ul style="list-style-type: none"> Two instances where Planning Officers had not marked eligible applications as 'CIL liable' and therefore this automatic process was not activated and a CIL charge was not created; and There are no mitigating controls in place to identify schemes that were not identified by planning officers as potentially being CIL liable and marked within the system due to manual error. 	<p>If Officers do not process CIL liabilities correctly – either through error or intentional fraudulent activity – then the Council may lose income to which it is entitled though the CIL scheme</p>	Medium	<p>Agreed Action:</p> <p>a) Re will ensure that the Planning Team understand the requirement to review information within applicant CIL forms. The extent and nature of these checks will be agreed and mapped into procedure notes as applicable. Evidence of checks performed will be documented and kept on file.</p> <p>Responsible officer: Principal Planning Officer, Re</p> <p>Target date: 31 July 2017</p> <p>b) A listing will be produced on a periodic basis of all planning applications made which will include key fields (such as floor space, type of development) and whether it was marked as CIL liable. This listing will be reviewed to identify any schemes that may meet CIL eligibility criteria however were not marked as CIL liable within the system and referred to Planning Obligations. .</p> <p>Responsible officer: Principal Planning Officer, Re</p>

Ref	Finding	Risks	Risk category	Agreed action
				Infrastructure Planning Team Manager, Re Target date: 31 July 2017
5	<p>Payments to Transport for London – Operating effectiveness</p> <p>The Council are responsible for collecting Mayoral CIL on behalf of Transport to London (TfL) and make quarterly submissions of CIL collected on behalf of TfL. This process is administered by Re on the Council's behalf. CSG finance make payment to TfL upon instruction by Re.</p> <p>We inspected the previous four submissions to TfL to confirm that payments were made on time. We found:</p> <ul style="list-style-type: none"> • For all four quarters (4/4, 100%) we found that there was a delay with the payment being made to TfL: <ul style="list-style-type: none"> ◦ Q4, 2015/16 was 32 days late; ◦ Q1, 2016/17 was 47 days late; ◦ Q2, 2016/17 was 11 days late; and ◦ Q3, 2016/17 was 1 day late <p>We noted that when payments are late TfL may charge a late payment fee which can be as much as 5% of the total amount due to them. In Q4, 2015/16, this would have represented 5% of £1.5m.</p> <p>Management confirmed that they were aware of the issue which was related to the authorisation roles within Integra and that a paper form will be used going forward to ensure that future payments are made on-time.</p>	If payments to Transport to London are not made on time then the Council may be liable for a late payment fee leading to loss of funds	Medium	<p>Agreed Action:</p> <p>The Council, CSG and Re will work together to ensure that payments to TfL in regard to Mayoral CIL are made on time.</p> <p>Responsible officers:</p> <p>Deputy Chief Executive Commissioning Director, Growth & Development</p> <p>Finance Manager, CSG</p> <p>Planning Obligations Officer, Planning, Re</p> <p>Target date: 31 July 2017</p>

Ref	Finding	Risks	Risk category	Agreed action
6 Proactive following up of CIL/S106 liable schemes – Control design Where CIL charges and S106 agreements are in place they become payable when a trigger point is reached which is generally the commencement of construction. We found: <ul style="list-style-type: none">• There are no mechanisms in place to understand the current state of developments and proactively identify whether trigger points have been reached. Management are therefore reliant on the applicant or an agent to notify Re that construction has started or the relevant trigger point has been reached for the liability notice to be sent to the applicant to initiate the collection of the charge. Management confirmed that there are two controls in place to ensure that liabilities are ‘triggered’ by the applicant: <ul style="list-style-type: none">• CIL legislation details interest fees which can be applied if the applicant does not inform the Council that a trigger point has been reached; and• The Local Land Charges Service performs a check to determine whether there are any CIL and S106 liabilities unpaid on a development when ownership is transferred. Whilst the mitigating control in place would generally ensure that all CIL/S106 charges due are eventually collected, the limited measures in place to proactively identify when a levy has ‘triggered’ may prevent income being collected in a timely manner and impact on the ability to accurately forecast income projections.	If development trigger points are not identified, liability notices will not be sent out and income will not be collected in a timely manner.	Low	Agreed Action: Management will implement a regular mechanism to check a sample of CIL/S106 liabilities which have not been formally ‘triggered’ have not commenced. Responsible officer: Infrastructure Planning Team Manager, Re Target date: 31 July 2017	

ADVISORY FINDINGS

REF	FINDING	RECOMMENDATION
1	<p><u>Publishing of current CIL rates</u></p> <p>LBB have agreed a CIL rate on liable developments of £135 per m³. Department for Communities and Local Government guidance requires collecting authorities to apply an index of inflation to keep the levy responsive to market conditions. The guidance states the index to be used is the All-In Tender Price Index of construction cost, published by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors.</p> <p>We were informed that the rates were supplied to Re from counterparts at other Boroughs and Re do not have a subscription to the Institution to directly acquire the rate themselves.</p> <p>We also noted that the index adjusted rate of £166.94 is not published on the relevant pages of the LBB website. The publishing of the current actual rate may assist developers in creating budgets for developments and improve transparency around the process.</p>	<p>Re should ensure it has access to the All-In Tender Price Index of construction costs published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors.</p> <p>Re should ensure that the annual changes rates through indexation are published on the LBB website</p>

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical ●	Immediate and significant action required. A finding that could cause: <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High ■	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium ■	A finding that could cause: <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low ●	A finding that could cause: <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable ■	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited ■	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Advisory	Total
	D	OE	D	OE	D	OE	D	OE		
Processing CIL charges	-	-	1	-	2	1	1	-	1	6
Income monitoring - CIL	-	-	-	-	1	-	-	-	-	1
Income monitoring - S106 agreements	-	-	-	-		-	-	-	-	
Projected income from CIL and S106 agreements	-	-	-	-	-	-	-	-	-	0
Total	-	-	1	-	3	1	1	-	1	7

*Includes two findings relating to control design and operating effectiveness

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
13 Feb 2017	1 Feb 2017	20 March 2017	27 April 2017	3 May 2017	10 May 2017

Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
Processing CIL charges	All developments that qualify for CIL charges are identified.	<p><i>If the Council does not identify developments that are eligible for CIL charges then revenue may not be claimed and infrastructure improvements will not be made in accordance with the policy.</i></p>	<p>Policies and procedures in place include:</p> <ul style="list-style-type: none"> • CIL Regulations 2010 • Barnet Charging Schedule • CIL: Instalments policy <p>Vetting Officer places details from planning application form into Uniform, the case management system used within Re.</p> <p>A CIL form (form 1 from planning portal) must be completed by the applicant as part of the process for any application.</p> <p>The Planning application cannot be validated without a completed form</p> <p>The planner inspects the application. If there is net additional floor space the planner makes the case within Uniform as CIL liable which automatically informed Planning Obligations what the that a CIL liability is due and is include on CIL schedule</p>
	CIL charge is calculated appropriately in accordance with the Council's policy.	<p><i>If CIL charges are not calculated accurately then the Council may lose revenue.</i></p>	<p>Policies and procedures in place include:</p> <ul style="list-style-type: none"> • CIL Regulations 2010 • Barnet Charging Schedule • CIL: Instalments policy <p>Uniform contains the net increase in floor space (input from planning validation) and rates</p> <p>Uniform performs a preliminary charge which is confirmed by the Planning Obligations Officer. If Uniform does not calculate the correct charge – for example as it is a large scale mixed usage, the charge is calculated through the use of an excel spreadsheet complete</p>

		The liability is input into the CIL schedule which is maintained by the Planning Obligations Officer, who sends a letter sent to applicant to make them aware of the charge.
	Exemptions and reliefs to CIL charges are only issued in appropriate circumstances.	<i>If exemptions or reliefs are applied inappropriately then the Council may not receive all eligible CIL revenue.</i> Policies and procedures in place include: <ul style="list-style-type: none">• CIL Regulations 2010 Applicant submits relevant CIL exception forms to Planning and, once present to the Planning Obligations Officer and are satisfied, the exemption is applied to the CIL schedule.
	CIL contributions made to Transport for London are made on-time.	<i>If payments to Transport for London are not made on time then the Council may be liable for a late payment fee leading to loss of funds</i> Each quarter: <ul style="list-style-type: none">• The Planning Obligations Officer submits to TfL a list of all Mayor CIL collected on their behalf using the CIL schedule which is reconciled within Integra; and• CSG make payment to TfL.
Income monitoring - CIL	Income due from S106 Agreements and CIL charges is collected in a timely manner and all income is received.	<i>If income is not collected in a timely manner then the Council will not have access to all available monies it is due and may undermine the recoverability of amounts due.</i> <i>If regular monitoring of outstanding debts is not carried out then the Council may not be receiving all monies it is due</i> Planning Applicants inform Planning Obligations when a CIL or S106 has been 'triggered'. A notice is sent to the planner that a liability is due and, if required, the Planning Obligations Officer reminds the applicant of the demand if payment is not received. Charges relating to late payment of CIL are applied in-line with statutory guidance. Any outstanding 'un-triggered' and 'triggered' liabilities are included on Local Land Charges searches to prevent properties being sold without liabilities being settled.
Income monitoring S106 agreements	- There is a procedure and process for collecting income due from S106 Agreements in a timely manner and all income is received.	<i>If income is not collected in a timely manner then the Council will not have access to all available monies it is due and may undermine the recoverability of amounts due.</i>

		<p>If regular monitoring of outstanding debts is not carried out <i>then</i> the Council may not be receiving all monies it is due.</p>	
Projected income from CIL and S106 agreements	CIL and S106 income projections to 2019/20 are reasonable in light of currently available data	<p>If projected income from CIL and S106 agreements is inaccurate or not based upon reliable assumptions <i>then</i> the Council may make inappropriate decisions or recommendations regarding infrastructure investment.</p>	<p>For the 2017/18 capital plan, the Council used projections put collected by (Re) in the Barnet Growth Model which were and carried forward to the capital budget. Management confirmed the Model has not been updated in light of the most current data and was not compiled for the purposes of CIL income generation, having not taken account of non-Barnet developments and</p> <p>Re have developed a Capital Investment Model in collaboration with Navigant, an external consultancy firm, which will be used for CIL income projection going forward.</p> <p>This was due to be presented to the Council's Assets and Capital Board in April and we were informed that regular governance, monitoring and updates would be in place to ensure effective oversight and updating the model.</p>

Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Community Infrastructure Levy and Section 106, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.