

INTERNAL AUDIT REPORT



Section 106 Agreements 2015/16

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|--|-------------------------------|-------------------|--|
| Issue Date: | 14 th January 2016 | Issued to: | David Atkinson – Head of Planning & Regulation |
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| | | | Edward O’Neil – Business Planning Officer |
| | | | Raj Patel – Housing Officer – Enabling |
| | | | Matt Bills – Neighbourhoods & Green Spaces Officer |
| | | | Hayley Cawthorne – Parish Liaison Officer |
| | | | David Riddle – Legal Officer |
| | | | Norman Proudfoot – Corporate Director – Community Services |
| | | | Beverley Jolly – Corporate Director - Resources |
| <i>Will receive final report once draft agreed</i> | | | Cllr Spendlove-Mason - Chair of Governance & Audit Committee |

Section 106 Agreements 2015/16

EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

Section 106 (s106) Planning Obligations are legal agreements formed between the Council and developers as part of the planning application process. They ensure that a proposed development contributes to the creation of sustainable communities, particularly through contributions towards community buildings and facilities such as affordable housing. The audit reviewed three areas: the policy framework and negotiation process; monitoring the collection and use of funds; and procedures to minimise the risk of claw back of monies.

Policy framework and negotiation processes were found to be adequate. Experienced staff are involved in policy setting and provision of advice to developers and arrangements are in place to ensure developers are aware of likely s106 requirements at the pre-planning stage. Legal professionals are involved in the development of all new s106 agreements.

There is, however, a lack of clarity over monitoring processes and responsibilities and accountability once a new agreement is in place. There are currently a number of records of s106 agreements which are maintained by different officers and the findings of the audit highlighted that these are not being consistently updated in a timely manner or subject to a reconciliation to ensure accuracy and completeness. Sample testing identified an agreement which had not been added to the records, therefore posing a risk of lack of monitoring and officer awareness. During testing, examples were also identified where invoices to developers had not been raised promptly in accordance with key trigger points because they had not been entered onto the monitoring database.

A number of inconsistencies were identified between the various records, the s106 obligations and the values invoiced. Details of each discrepancy identified have been provided to management for further investigation to confirm whether these represent errors or are due to failure to update database records.

Arrangements to minimise the risk of claw-back are generally sound. Financial records provide an audit trail of income and expenditure and are regularly reconciled. The Council works with Parish Councils to support spending which is timely and consistent with conditions. Further work could be undertaken to review historic cases which may be subject to future challenge.

The audit was carried out in accordance with the agreed Audit Planning Record (APR). It is the Auditor's Opinion that the current overall design and operation of controls provides **Limited Assurance**, as summarised below:

| Internal Audit Assurance Opinion | Direction of Travel | | | | |
|---|-----------------------|-----------------------|-----------------|----------|----------|
| Limited Assurance | N/A | | | | |
| Risk | Design | Comply | Recommendations | | |
| | | | H | M | L |
| 01 - There is a failure to maximise income potential through appropriate policy framework and negotiation processes | Substantial Assurance | Sufficient Assurance | 0 | 0 | 1 |
| 02 - There is a failure to recover and utilise all contributions secured | Limited Assurance | Limited Assurance | 6 | 5 | 1 |
| 03 - Claw back of income by S106 contributors | Limited Assurance | Substantial Assurance | 0 | 0 | 0 |
| Total Number of Recommendations | | | 6 | 5 | 2 |

2. SUMMARY OF FINDINGS

Risk 1: There is a failure to maximise income potential through appropriate policy framework and negotiation processes.

The audit determined that the Council has a Planning Obligation Guidance Note in place and a draft Supplementary Planning Document currently out for consultation to replace and update that guidance. It is the responsibility of experienced officers to update this guidance and the procedures require input from officers specialising in the different areas covered by s106 planning obligations, for example affordable housing, open spaces and community facilities. Policies are based on any national guidance available and on the local needs determined in the Core Strategy. County Policy and those set by other neighbouring authorities are also referred to during Policy setting to help ensure adequacy. The current guidance and draft Policy were reviewed and found to be adequate in detail. The provision of bonds is allowed for, however it was noted by the auditor that use of these may be excessive in most cases given that the planning obligation is a legal obligation and linked to any piece of land as a land charge and also the low likelihood that large developers would default on obligations due to financial difficulties. Officers confirmed that careful consideration must be given to the use of bonds as the cost of such agreements may deter developers and also delay progress. This is noted, however, as compliant with the Council's policy on bonds.

Negotiation of s106 agreements is also carried out by experienced officers and involves the officers specialising in the different areas covered by s106 obligations. All likely requirements are flagged up during pre-application stage and the developers are signposted to key officers for advice on requirements. Work has taken place to develop a template to capture any such requirements and the collated results are presented with the planning application at approval stage, including details on the justification to reduce the risk of future challenge. Officers confirmed that the implementation of the "front loaded" process of agreeing obligations is resulting in a more effective and efficient agreement process than the historic system of agreeing s106 obligations after approval stage. The Council's Legal Officer will receive the completed Planning Obligation template and will either draw up the legal agreement on behalf of the Council or work with the third party's legal team to do so. Once signed, a copy is issued to all relevant officers including the Land Charges Team and the Housing Enabling and Community Infrastructure Officer (HE&CIO) to add to the monitoring spreadsheet. The monitoring spreadsheet is updated on a monthly basis.

Testing was carried out to verify processes in place. The Planning Portal was reviewed for the last six months and ten developments which would be eligible for s106 obligations were identified. Five of these were identified as historic cases to which planning amendments were being made. For each case a signed s106 obligation could be identified and the developments were found to have been entered on to the monitoring database. A further application had been withdrawn and one was refused, but in both cases evidence of advice provided on obligation requirements could be located. The remaining three were new developments and all had been signed in 2015 but it was highlighted that one of these could not be located on the monitoring database, despite pre-dating others which had been recorded. As such, whilst assurance can be provided that s106 obligations are agreed in all relevant cases, assurance cannot be provided that the current processes for monthly database updates are capturing all required updates in a timely manner.

During interview and document review it was determined that procedural reviews had taken place in recent years and some improvements had been made. It was highlighted, however, that following a restructuring of the team the accountability framework for key responsibilities in managing s106 agreements had not been clearly defined or embedded. It was noted during the audit, that the Council previously held a s106 Officer post but that this position had been deleted, resulting in a number of officers taking on additional responsibilities to ensure the full remit of the deleted post continued to be delivered. It was identified that responsibilities such as assisting with policy development, s106 negotiations, Planning Obligation templates and monitoring responsibilities had not been reflected in relevant officers' current Job Descriptions and accountability for these tasks was not defined.

It was also noted that Members receive some internal training on planning processes following appointment to the Planning Committee. Given the complexity of s106 planning obligations, it would be worth considering the benefits of Member training specifically covering s106 planning obligations.

Risk 2: There is a failure to recover and utilise all contributions secured.

Interviews and review of job descriptions determined that the Housing Enabling and Community Infrastructure Officer (HE&CIO) is responsible for reviewing compliance with trigger points for payment of contributions by developers or other specific actions. The HE&CIO explained that the commencement of developments is identified through "local intelligence" e.g. Ward Members or members of the public and the six monthly completion reports. Although a procedure is in place, a more formal, timely and effective process should be introduced to ensure all progress is identified in a timely manner.

Whilst responsibility for reviewing compliance with trigger points had been allocated, it was noted that overall responsibility and accountability for monitoring s106 obligations had not been defined and specifically the responsibility for checking that the use of contributions is appropriate and occurs prior to expiry dates had not been allocated. Testing highlighted two cases where extensions were being sought due to failure to spend contributions before the expiry date. Both cases were discussed with officers and it was confirmed that one case fell into the remit of Facilities Management and was delayed due to a change in circumstances. The remaining related to a Parish Council and it was confirmed that some difficulties are being experienced in trying to facilitate Parish Councils in taking ownership of and utilising the contributions available. It is recommended that this responsibility be reviewed to ensure effective oversight of the process and all individual responsibilities within the s106 monitoring process should be defined and documented.

At the time of testing, a number of records were in use across the service for monitoring s106 contributions. The HE&CIO maintains a record of developments currently being monitored and records action taken. Any delays in payments are also noted and, if required, the Council's recovery procedures are applied. A database has also been developed by the Neighbourhoods and Green Spaces Officer (N&GSO). The N&GSO and HE&CIO have a routine of monthly meetings whereby the HE&CIO shares any updates obtained and recorded over the past month such as new agreements, trigger points met and invoices issued and the N&GSO will then update the database with the details. It was also determined that the Parish Liaison Officer maintains a further separate record of contributions to assist in monitoring contributions not yet awarded and / or not yet spent.

Whilst it is positive that officers have taken the initiative to create monitoring records to ensure all contributions are captured and monitored, by referring to more than one set of records there is a heightened risk of error and inconsistency and duplication of efforts. It would be good practice to maintain one centralised record of all

obligations which all officers are confident in the use of and can update and refer to. The centralised record should be used to identify all developments that have commenced and include details of monitoring, recording of action taken in line with triggers and monitoring of contributions gained and the associated expiry dates. In addition, to ensure the resulting centralised record is reliable and accurate, a full review of historical cases should be undertaken to establish whether any further records require updating.

Testing was undertaken on a sample of ten developments selected from the HE&CIO's report of developments currently being reviewed. Whilst evidence was obtained that action was being taken to address any relevant trigger points, a number of weaknesses were identified, as follows:

- Cases where timely action has not been taken in accordance with trigger points. Neither the database nor the HE&CIO's report contain dates that trigger points were met so it is difficult to demonstrate that timely action is being taken. During sample testing, one case was noted where an invoice was raised based on 113 properties, when the trigger point was prior to the occupancy of the 75th. In a further case the invoice was raised at 110 properties, when the trigger point was prior to 40th occupancy. Explanation for the delays was that these were identified on the update of historic records to the database and had previously been missed.
- Within the ten developments reviewed, a number of inconsistencies were identified between the values stated in agreements and the database records and the values invoiced. Some payments were not always recorded on the database whilst some invoice and receipt information differed between the HE&CIO's report and database records. In other cases the amount raised as an invoice did not agree to the database or copy of obligation attached to the database. The differences identified have been highlighted to management for further investigation. Initial feedback from management suggests that this may be due to failure to update database records but further review will be undertaken to confirm whether any are due to errors made.
- Some smaller value errors were also identified in terms of the rounding of invoices and the use of correct Building Cost Information Service (BCIS) indexing figures.
- Three issues of late payment were also identified, including a non-payment of £1,500 dating back to February 2015, an underpayment of just under £6,000 dating back to May 2015 and an invoice for just under £90,000 which was due for payment by the end of July 2015. The Council's debt recovery procedures will be subject to further review as part of the annual key financial controls review.

Full details of all issues identified have been discussed with and provided to officers involved and full details of testing completed will be sent to allow correction of these issues as required.

Following the restructure of the team, there has been a lack of clarity in relation to responsibility for each element of the control framework and accountability throughout the end-to-end process. This has resulted in a lack of co-ordination and failure to identify gaps in the framework and, indeed, some areas of duplication. The responsibility for leadership and co-ordination of the full end-to-end process should be reviewed by management and clearly allocated and documented to ensure no key elements of the control framework are duplicated or overlooked.

Monthly s106 meetings are currently held to provide a forum for all Officers involved in the s106 process plus finance and legal officers. Meetings are used to raise awareness of policy and procedural updates, new developments, developments currently being monitored and existing contributions. It was noted that such meetings could provide an ideal forum for monitoring purposes; however the structure and recording of meetings require improvement. There are currently no standard agenda items or action plans in minutes resulting in a failure to

ensure all required actions are noted, assigned, and carried forward to future meetings. In addition meeting procedures are inefficient involving both the HE&CIO and Corporate Admin staff in issuing documents. Draft minutes are also not circulated to all attendees to allow comments to be made and ensure adequate recording of issues. Discussion with the Head of Planning & Regeneration confirmed that the meetings lack a clear Terms of Reference.

Risk 3: Claw back of income by s106 contributors

Work undertaken during the audit determined that the Council's financial system provides an adequate audit trail of s106 contributions which could act as evidence in the event that a S106 contributor requested information on where a contribution has been spent. The Assistant Accountant completes monthly reconciliations of the amounts recorded on the general ledger to ensure completeness and issues capital monitoring reports to ensure responsible officers are aware of balances.

As stated under risk two, however, responsibility for monitoring all contributions are spent in a timely manner and in line with the obligation's criteria has not been allocated and contributions which have passed expiry dates and require applications for extensions have been identified.

As previously stated the Parish Liaison Officer carries out extensive work to ensure Parishes are spending contributions awarded in line with the terms and conditions of obligations and appropriately evidencing such expenditure. Interviews and review of documents determined that the level of work involved is time consuming and difficulties are being experienced in supporting Parishes in spending contributions awarded and minimising the risk of clawback. At the time of testing, contributions of just under £5,000 and £2,500 were being clawed back.

In addition work has not taken place to review historic cases prior to the Parish Liaison Officer joining the Council (2013) and for which it is not known whether contributions have been spent or spent in line with contribution criteria. This issue has been raised by the Parish Liaison Officer with management.

It is also recommended that a review of all historic awards be undertaken to determine whether all contributions have been spent accordingly and appropriate action should be taken to seek extensions, clawback monies or encourage usage.

3. ACTION PLAN

The Action Plan in Table 2 provides a number of recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks. Based upon discussions with management, it has been proposed that key issues identified in relation to monitoring arrangements and responsibilities could be addressed using the Council's project methodology.

4. LIMITATIONS TO THE SCOPE OF THE AUDIT

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record. The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

TABLE 2

ACTION PLAN

| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|--|--|---|----------|---|--------------------------------|
| 1a | Number of issues identified during the audit. | The Head of Planning & Regulation utilises the Council's Project methodology to review s106 monitoring processes and responsibilities and to rectify all issues highlighted in the audit report as detailed below and any other issues as deemed appropriate by the Head of Service. | The Head of Planning and Regeneration, as sponsor of the s106 project is currently developing the project plan to deliver a comprehensive corporate review of s106 processes and procedures. The project will be governed by the HDC Corporate Project Management procedures and will address all issues raised in this audit report. | High | Head of Planning & Regeneration (David Atkinson)with Service Manager for Strategic Planning (Stephen Pointer) | 31 st May 2016 |
| 1b | Lack of overall responsibility and accountability for S106 monitoring. | The individual/collective responsibility for leadership and co-ordination of the full end-to-end process for managing s106 agreements should be clearly allocated. At the time of testing there were areas where a lack of overview of the full process had resulted in gaps in the control framework and some areas of duplication. | The end to end process will be reviewed and an evaluation of the most effective means of providing effective management to the whole process will be undertaken, the optimum solution identified and implemented. | High | Stephen Pointer with Matthew Bills, Raj Patel, Tom Day and Hayley Cawthorne | 28 th February 2016 |

| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|---|---|--|----------|---------------------------------|--------------------------------|
| 1c | Lack of clarity and formal recording of individual responsibilities. Level of errors occurring. | The Council should review the allocation of individual responsibilities for the key aspects of the s106 processes, whether those officers have sufficient capacity to carry out all aspects of their workload and whether responsibilities are sufficiently defined and in line with job descriptions. If required, job descriptions should be updated in line with HR procedures. | During the detailed review of the end to end process the roles and responsibilities of the relevant officers involved with the process will be clarified. In parallel with this an assessment of officer capacity will be undertaken to ensure that sufficient capacity is available an assigned in order to enable effective and robust delivery. | High | Stephen Pointer | 28 th February 2016 |
| 1d | Separate records result in a risk of error and duplication of work. Currently not all officers are confident in the use of the database. | There should be one single central database within which the complete, consistent and coherent 'end-to-end' S106 contribution case management process is clearly recorded in a readily available and accessible manner that is easy to use by all. The database should also allow the recording of dates trigger points are met to ensure that timely action required can be demonstrated. | The review will include an analysis of the existing database support that is currently in place and it will identify options for ensuring an effective information management, storage and retrieval system is in place which addresses all the issues set out in the recommendation. The solution should provide a corporate approach to this matter capable of enabling multiple users and contributors to access the information management system. | High | Stephen Pointer with Matt Bills | 31 st March 2016 |
| 1e | Inconsistencies | The Council should include clear | The review of the database will include a | Med | Stephen | 31 st March 2016 |

| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|---|---|--|----------|---------------------------------|--------------------------------|
| | identified during testing. Maintenance of central database requires improvement. | identification of what does and does not need to be included on the single centralised database to ensure clarity and consistency in records and record management and to prevent any record becoming excessively large. Considerations should also be given as to whether documents such as obligations and invoices should be attached to the centralised records or saved in associated network folders. | comprehensive review of all the types of information gathered and stored in the information management system. This review will ensure that only necessary and relevant information will be stored in the system. AQ process will be developed and implemented which will set out the types of supporting information required. | | Pointer working with Matt Bills | |
| 1f | Inconsistencies identified during testing. Maintenance of central database requires improvement. | The Council should undertake a review of accuracy of the agreed centralised database records back to source documentation to ensure details are correct and any documents attached to that centralised record or saved in associated folders are the most recent and correct versions. This should involve a comprehensive review of all cases, including checks to ensure no historic cases are being missed from monitoring. | Linked to the review of the database facilities currently being used referred to above, an in – parallel exercise will be undertaken to review all current and ‘live’ s106 records stored in order to ensure that all such records are accurate, up to date and have the correct, most relevant and recent supporting documents attached. The process of checking ‘live’ records will ensure that the relevant back-dated cases are included in the assessment. This process will include a backdated check. | Med | Matt Bills with Stephen Pointer | 31 st October 2015 |
| 1g | Informal | The Council should review and if | With regard to all cases, the review will ensure | Med | Stephen | 31 st December 2015 |

| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|--|---|--|----------|--------------------------------|--------------------------------|
| | identification of the commencement of developments. | possible redefine a more effective and timely process to identify the commencement of developments and the need to monitor in order to identify whether the requirements relating to the timely release of s106 contributions relating pre-determined and agreed development trigger during the period of the build-out of each relevant development are being met. | robust and effective records are in place covering the commencement dates of development and that these records are linked to all appropriate and necessary trigger points arising through the period a development in question is being implemented so that appropriate contributions can be obtained on time. Officers will ensure that accurate and complete information on dwelling completions is obtained to enable the effective monitoring of all trigger points. All stakeholders look forward to Internal Audit providing any further advice and guidance that is available from other Councils to further help and support the effective and timely implementation of this recommendation. | | Pointer with Raj Patel | |
| 1h | Obligation not updated onto monitoring database in a timely manner. Maintenance of central database requires improvement. | The project should review the process for updating the agreed centralised database records to ensure that updates are made in a complete and timely manner. This may involve the use of a more effective filing system and more frequent updates. | The process for updating centralised database records, that be accessed across the organisation by those who need to, will be reviewed. A robust and regular process of updating all records held will be identified and instigated to ensure that all such records are updated in a complete and timely manner. | Med | Stephen Pointer with Raj Patel | 31 st December 2015 |
| 1i | Inconsistencies identified | A number of inconsistencies have been highlighted during audit testing | Key officers managing S106 on a day to day basis have been briefed to evaluate the comprehensive | High | Steve Pointer with Raj Patel | 31 st October 2015 |

| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|--|---|--|----------|--------------------------------|--------------------------------|
| | during testing. | <p>between the various records held, obligation agreements and invoicing. Details have been provided to management of all findings.</p> <p>Management should review each of these in detail to confirm whether an error has occurred and whether any overcharges have been made.</p> | <p>Log of Errors and to make any corrections necessary to the cases identified. They have been asked to complete this work without delay: completion is due by end October 2015.</p> <p>Internal Audit have provided a Log of Errors and this has been shared with the officers concerned to enable them to undertake the correcting work referred to above.</p> | | | |
| 1j | Risk that Parishes have not spent contributions awarded or spent in line with criteria. | <p>The Council should review historic awards (especially relating to the period prior to 2013) to Parishes (and all other awards if deemed appropriate) to determine whether contributions have been spent and / or spent in line with contribution criteria.</p> <p>Any required actions should be taken where necessary, such as encouragement to utilise funding, negotiation of extensions of deadlines or pay back of money to developers, as appropriate.</p> | The review will aim to assess the extent of the work and associated resource commitments required to comprehensively review historic s106 awards. A proportionate and reasonable approach will be developed to identify the S106 awards that have not been spent. In addition this evaluation will aim to identify any cases where funds appear to not have been spent on what was intended they should be spent on. | Med | Tom Day with Hayley Cawthorne | 30 th April 2016 |
| 1k | The value of the S106/CIL Monitoring Project Group meetings could be further improved and provide an ideal | <p>The governance arrangements for the s106 meetings should be reviewed to ensure these are suitably robust and support the effective monitoring and management of s106 agreements.</p> <p>This should include further</p> | <p>The S106 monitoring officer has been requested to provide the Head of Planning with standard items for the CIL/S06 group agenda and a Terms of Reference for this corporate group.</p> <p>The Chair of the Group will prepare the agenda for the CIL/S106 meeting and the meeting will be administered by CMT Support.</p> | Low | Stephen Pointer with Raj Patel | 28 th February 2016 |



| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|--|---|---|---|----------|---|---|
| | forum to support monitoring processes. | improvement of the meeting agendas and records. | | | | |
| 2a | Training for members does not currently include details on s106 planning obligations. | <p>The Head of Planning & Regulation should consider delivery of Member training specifically on s106 obligations either by an in house or external provider. Such training should be used to address any misconceptions about s106 such as:</p> <ul style="list-style-type: none"> • The purpose of obligations / what to look for / what is acceptable; • Why claw backs might occur (difficulties experienced with parishes / changes in circumstances result in contribution no longer required / not necessarily a performance issue); and • The legal standing of s106 obligations and why bonds may be unnecessary in some cases. | Training will be provided as part of the programme of member training and will be offered to all members. | Low | David Atkinson and Stephen Pointer with Beth Murgatroyd | April 2016 |
| Additional Action – Proposed by Head of Planning & Regeneration | | | | | | |
| 2b | Keeping all | Ensure the progression of the | A progress report will be brought to the Planning | High | Raj Patel with | 1 st Report to Committee March |



| Rec No. | ISSUE | RECOMMENDATION | Management Comments | Priority | Officer Responsible | Due date |
|---------|---|--|--|----------|---|------------------------------|
| | <p>elected members fully informed of progress in the implementation of the recommendations set out in this Internal Audit report.</p> | <p>implementation of the recommendations set out in this Internal Audit report via a robust corporate project management approach is appropriately reported to elected members.</p> <p>It is also necessary to ensure that this important corporate project is fully reflected in all other Council Corporate work programmes not overseen by the meetings, Boards and Commissions referred to in the bullet point list above. This is so that all Corporate Managers and elected members can be kept fully appraised of progress on this project at appropriately regular intervals throughout the life of the project.</p> | <p>Committee on a quarterly basis to identify the improvements that have been made and to provide assurance to elected members. The Head of Planning and Regeneration, supported by the Corporate Director – Community Services and the Head of Legal and Democratic Services with the Legal and Democratic Services Manager, and the Service Manager for Strategic Planning and Housing Strategy will establish the most appropriate, complete and robust communications format to ensure all Corporate Managers and elected members are kept appropriately up to date regarding the progression of this important project.</p> | | <p>Stephen Pointer and David Atkinson</p> | <p>2016 – then quarterly</p> |

GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

| Level | Design of Control Framework | Compliance with Controls |
|--------------------|---|--|
| SUBSTANTIAL | There is a robust framework of controls making it likely that service objectives will be delivered. | Controls are applied continuously and consistently with only infrequent minor lapses. |
| SUFFICIENT | The control framework includes key controls that promote the delivery of service objectives. | Controls are applied but there are lapses and/or inconsistencies. |
| LIMITED | There is a risk that objectives will not be achieved due to the absence of key internal controls. | There have been significant and extensive breakdowns in the application of key controls. |
| NO | There is an absence of basic controls which results in inability to deliver service objectives. | The fundamental controls are not being operated or complied with. |

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

| Priority | Impact & Timescale |
|---------------|--|
| HIGH | Management action is imperative to ensure that the objectives for the area under review are met. |
| MEDIUM | Management action is required to avoid significant risks to the achievement of objectives. |
| LOW | Management action will enhance controls or improve operational efficiency. |