

London Borough of Hammersmith and Fulham  
Final Internal Audit Report  
Section 106 Agreements

April 2019



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## 1 Introduction

As part of the internal audit plan for 2017/18, agreed by the Audit, Pensions and Standards Committee, we have undertaken an internal audit of Section 106 (S106) Agreements in the London Borough of Hammersmith and Fulham.

S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter into a legally-binding planning obligation with a developer in association with the granting of planning permission. The obligation is termed a S106 Agreement.

Agreements under S106 are normally required to mitigate impacts arising from large scale developments, and provide the means of ensuring the provision of necessary services and infrastructure, such as highways, recreational facilities, education, health and affordable housing to support new large scale developments.

S106 agreements can be used for the following purposes:

- To restrict the development or use of land;
- To require specific operations or activities to be carried out in relation to the land;
- To require payment of a sum or sums of money - e.g. towards future maintenance costs; and
- To require land to be used in a certain way.

The obligation can either be a bilateral agreement between the Council and the land owner or unilateral undertakings by the land owner or developer. The scope of such agreements must meet the following three tests as set out in the Community Infrastructure Regulations 2010:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and,
- Fairly and reasonably related in scale and kind to the development.


As described in the April 2018 report to Cabinet, the following are some of the projects that are funded from S106 monies in the London Borough of Hammersmith and Fulham to address needs generated by the developments taking place:

- £9,380,000 towards school projects;
- £1,627,001 towards enhanced Policing across the borough;
- £1,325,106 towards Parks and Environmental improvement;
- £2,652,018 towards highway projects in the borough directly required as a result of developments taking place; and,
- £2,141,452 towards the delivery of Genuinely Affordable Housing Projects.

This audit was carried out to ensure that S106 agreement opportunities are appropriately identified and agreed, amounts are collected in full and developer obligations are met.

## 2 Executive Summary

### 2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
<b>Audit Opinion</b>				

### 2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Corporate Oversight			0	2	0
External Policy and Guidance			0	0	0
Development of S106 Agreements			0	1	0
Receipt of S106 Income			1	0	0
Monitoring Completion/Delivery of Non-Financial Obligations			1	0	0
Enforcement of S106 Agreements			0	0	0
Utilisation and Monitoring of S106 Expenditure			0	2	0
<b>Total</b>			<b>2</b>	<b>5</b>	<b>0</b>

Please refer to the Appendix 2 for a definition of the audit opinions and recommendation priorities.

### 3 Summary of Findings

In Internal Audit's opinion, **Limited Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.

The key findings and an assessment of controls are summarised below:

#### **Application of and compliance with controls to address the key risks identified**

- Procedural guidance has not been developed and made available to officers/staff involved in the administration and oversight of S106 agreements. There are a number of teams involved in processes relating to S106, however roles and responsibilities are not clearly communicated to the different teams involved.
- A Local Plan, last reviewed in February 2018, is in place and includes relevant information for third parties on S106 Planning Obligations. The Local Plan makes reference to S106 and details its key objectives, such as addressing skills shortages, when negotiating the S106 agreements with the developer.
- Guidance is available to developers on the Council's website, including the Supplementary Planning Document, which provides additional detail to policies concerned with S106 and a variety of topics within LBHF's Local Plan and to any neighbourhood plans that may come into effect in the Borough.
- We tested a sample of 10 agreements and identified that the Planning Committee or officers (with delegated authority) discuss and agree on the Heads of Terms for each S106 agreement. Planning permissions are granted subject to a satisfactory legal agreement covering the matters outlined in the Planning report prepared to support to the application and subject to the conditions of the report.
- Legal Services had archived all the S106 application documents, but these were retrieved for our work and email trails were seen for all 10 agreements showing negotiations had taken place between the developer and the Council.
- Based on a sample of 10 cases tested, we confirmed that agreements were signed by all relevant parties: the Council, the owner and the mortgagee (where applicable).
- Through discussions with Legal Services, we were informed that any changes that need to be made to previously agreed planning obligations would require approval from either the Planning Committee or officers (with delegated authority). From the sample of 10 S106 planning applications tested, there were six Deed of Variation applications attached to the original agreement and in all cases we confirmed that an officer's report was developed and the changes appropriately authorised.
- We tested a sample of 10 S106 agreements, to confirm whether the Case Officer's approval was obtained before the final agreement was signed by the relevant parties:
  - In seven cases, we were able to confirm the case officer approved the final S106 draft before it was signed by the relevant parties;
  - In three cases (Bechtel House, Hammersmith Palais and 84 - 90B Fulham High Street), we were unable to obtain evidence of the case officer approving the final draft agreement before it was signed by the relevant parties. In one of these cases (Hammersmith Palais), although there was an email to suggest it was approved by the case officer, there was no evidence of explicit approval.
- Based on a sample of 10 cases tested, we confirmed that Demand Notices were issued to inform the developer of the due payment, in line with agreement obligations.

- S106 income is ring fenced in the Council's accounts. We established through discussions with the S106 Monitoring Officer that, when a payment for a Demand Notice is received, a member of the Finance team notify the S106 Monitoring Officer who then inform Finance of the 'AKA' number, which is a unique S106 agreement number assigned to each agreement for easy identification.
- Monthly reconciliations are completed by the Infrastructure Delivery Officer in the Development Management between S106 income collected and S106 financial contributions that are triggered but still to be received.
- Three spreadsheets are in use for the monitoring of financial obligations and recording of payments received:
  - 'Outstanding Contributions' is a log of all financial obligations identified in S106 agreements and the relevant trigger points attached to these obligations;
  - 'Monitoring' Spreadsheet which is a record of payments made and payments outstanding; and
  - 'S106 Funds Data' which tracks all financial obligations and records of payments received (as per Agresso) and is also used for tracking the spending of S106 income.

We identified that the spreadsheets are not being updated consistently and accurately to reflect the status of the financial obligations, which made it difficult to establish financial obligations that were being fulfilled and those still outstanding.

- Furthermore, we tested a sample of 10 payments to check the accuracy of payment recording and found in three cases, that, whilst the payment was correctly posted in Agresso, in the 'S106 Funds Data' spreadsheet, the payment was recorded against a different S106 agreement reference and address. Exceptions are detailed below:

<b>Agresso</b>	<b>S106 Funds Data</b>
Harbour Avenue	Kings Mall
73 to 77 Britannia Road	Lands North of Westfield
Land North of Westfield	Service Station on Du Cane

- The reconciliations performed between Agresso and the S106 Funds Data spreadsheet are based on the payment references which would not necessarily highlight if the payment had been allocated to the wrong site and therefore against a different financial obligation.
- We found that currently there are no formal procedures for monitoring non-financial obligations. We were informed that non-financial obligations may be looked at on an ad hoc basis when the officer is monitoring financial obligations; however, this is not documented to confirm it takes place. As non-financial obligations are not monitored for completion, officers may not identify cases where enforcement action is required.
- The 'S106 Funds Data' spreadsheet, lists all of the triggered S106 financial obligations and risks that are assigned to each financial contribution (likeliness of receiving the money). The status of the funds is updated to indicate if payment is outstanding, received but not yet allocated, or has been committed to a plan for expenditure.
- A Drawdown report is presented to Cabinet which sets out the recommended use of funds received through Section 106 agreements and also as a result of the Community Infrastructure Levy (CIL) and seeks authority for the spend. A drawdown template is available for all departments to submit a proposal for expenditure. The Principal Accountant will confirm whether there are sufficient S106 funds available for the proposal before it is included in the final Drawdown report that is presented to the Cabinet.

- Based on a sample of five payments tested from the Drawdown report, we confirmed the funds were appropriately approved to fund projects as per agreement terms. However, in three cases (Chelsea Creek, 77-89 Glenthorne Road and 271-281 King Street), we were unable to confirm the specific financial obligation (theme) the developer had made payment for and therefore unable to confirm if the funds received were eligible for the projects they had been allocated to. This was due to the issues identified and mentioned above regarding the recording of income.
- Once payment is approved, and released, expenditure is not verified. Whilst we could confirm for each drawdown transaction, that in Agresso these had been correctly allocated to the proposed project as per the Drawdown report, these allocations are generic. For example, the allocations are posted under themes (Schools, Parks, Highways, CCTV) so we were unable to confirm if the funds were spent for the intended purpose.

## 4 Acknowledgement

We would like to thank the following members of staff for their time and assistance during the audit:

- Ellen Whitchurch – Head of Development Management
- Peter Kemp – Former Planning Change Manager
- Seamus Thornton – Planning Obligations Monitoring Officer
- Asif Huq – Infrastructure Delivery Officer
- Trina Tali-Zekaj – Principal Accountant
- Adesuwa Omoregie – Principal Solicitor

## Appendix 1: Management Action Plan

### 1. Corporate Oversight – Policies and Procedures

Priority	Issue	Risk	Recommendation
Medium	<p>Procedural guidance for managing S106 agreements, income and expenditure has not been developed and made available to staff involved in the process.</p> <p>After the S106 agreements have been formulated by the Legal team, the responsibilities for monitoring and implementing the contributions are shared between officers in the Planning and Finance Teams. The tasks range from:</p> <ul style="list-style-type: none"> <li>• Documenting and maintaining records of S106 agreements;</li> <li>• Calculating the monies due from the developer with the appropriate uplift for inflation;</li> <li>• Monitoring obligations (financial and non-financial);</li> <li>• Issuing Demand Notices;</li> <li>• Accounting and reconciling receipts and the general ledger; and</li> <li>• Maintaining records of S106 funds and expenditure.</li> </ul>	<p>Where procedural guidance is not available, there is a risk that staff carry out their duties inconsistently or not in accordance with Council or legislative requirements. Furthermore, there is a risk of a single point of failure where administration and processing of S106 is reliant on one or two individuals without any formal guidance to revert to in their absence.</p>	<p>Procedural guidance should be developed and made readily available to all officers/staff involved in operations relating to S106 agreements.</p> <p>Formal documented procedures should include the process of:</p> <ul style="list-style-type: none"> <li>• Documenting and maintaining records of S106 agreements in place including the different control spreadsheets;</li> <li>• Monitoring S106 financial obligations and documenting the relevant triggers;</li> <li>• Managing S106 income and expenditure; and</li> <li>• Monitoring completion/delivery of non-financial obligations, including supporting documentation that can be used to verify the developer's compliance.</li> </ul> <p>The procedures developed should be version controlled to detail the date of review, name of the officer carrying out the review and date of next review.</p>



Management Response	
<p>S106/CIL board established with officers from Finance, Growth, Legal and Chaired by Chief Planning and Economic Development Officer to oversee all processes and scrutinise drawdown requests. The terms of Reference were agreed by both the Cabinet member and Strategic Leadership Team. The Board meets monthly and has agenda and minutes to track actions and decisions.</p> <p>the final version of the S106/CIL Protocol and Guidance Notes for services and external parties seeking S106/CIL funds was approved by the S106/CIL Board at its meeting on the 3rd December 2018.</p>	
Responsible Officer	Deadline
Joanne Woodward, Chief Planning and Economic Development Officer	Started and on-going

## 2. Corporate Oversight – Roles and Responsibilities

Priority	Issue	Risk	Recommendation
Medium	<p>Through discussions with the Head of Development Management, we established that there are a number of teams involved in processes relating to S106:</p> <ul style="list-style-type: none"> <li>• The Legal team are responsible for the drafting of the agreements, including negotiations with the developer.</li> <li>• The Finance team are responsible for the recording of income, ensuring the monies are ring-fenced in the finance system.</li> <li>• The S106 Monitoring officer is responsible for checking compliance with the S106 agreements.</li> <li>• The Accounting team are responsible for tracking S106 funds available, probability of receiving future funds and providing this information when proposals are made for spending S106.</li> </ul> <p>Currently, the roles and responsibilities have not been defined to clearly show the teams involved in the different processes for S106 administration and oversight.</p>	<p>Where staff are not aware of the roles and responsibilities of the different teams involved in the S106 agreement administration and oversight, there is an increased risk of not being able to identify if a process is missing or work is overlapping with another team.</p> <p>Furthermore, with the different offices involved there is an increased risk of not having clearer channels of communications to share/obtain information about particular S106 agreements and their status.</p>	<p>Roles and responsibilities should be defined and documented for all teams involved in the administration and oversight of S106 agreements</p> <p>Consideration should be given to developing a process map to break down the processes and indicate the responsible teams/officers.</p> <p>This could be combined with the procedural guidance included in recommendation 1 of this report.</p>
<b>Management Response</b>			
<p>The restructure of Planning Service includes establishment of dedicated infrastructure Delivery Team. The team has clearly established roles and responsibilities which are written in to Job Descriptions, so that management responsibility for S106 and CIL is clear. The restructure is agreed and will be implemented during the Summer 2019</p>			
<b>Responsible Officer</b>		<b>Deadline</b>	
Joanne Woodward, Chief Planning and Economic Development Officer		July 2019	

### 3. Development of S106 Agreements – Explicit Approval of Agreement by Case Officer

Priority	Issue	Risk	Recommendation
Medium	<p>The Case Officer must review and explicitly approve the final agreements (post negotiations), before these are signed by the relevant parties. From a sample of 10 agreements we selected to review email trails with developers and relevant paperwork, we found:</p> <ul style="list-style-type: none"> <li>In three cases (Bechtel House, Hammersmith Palais and 84 - 90B Fulham High Street), we were unable to obtain evidence of the Case Officer approving the final draft agreement before it was signed by the relevant parties; and</li> <li>In one of these cases (Hammersmith Palais), although there was an email to suggest that it was approved by the Case Worker, there was no evidence of explicit approval.</li> </ul> <p>We found that the Legal Services team who draft up the agreements, use checklists to ensure that the relevant tasks have been undertaken. Review of this checklist identified that a check of Case Officer approval was missing.</p>	<p>Where the S106 Agreements have not been approved by the Case Officer before these are signed by the relevant parties, there is an increased risk that incorrect or incomplete obligations are applied, resulting in the impact of the developments not being fully mitigated.</p>	<p>The approval of the S106 agreement by the Case Officer should be obtained and clearly evidenced, before the agreements are signed.</p> <p>The proof of explicit approval should be retained with all relevant paperwork associated with the development of the agreement.</p> <p>The Legal team should update their checklist to include a requirement for documenting the Case Officer's approval.</p>
<b>Management Response</b>			
<p>Case officers in the planning team now approve final agreements. Work is underway as part of techtonic programme to improve digital filing arrangements so that record keeping is improved and it is clear who the accountable case officers are. This work will be completed by the end of 2019.</p>			
<b>Responsible Officer</b>		<b>Deadline</b>	
Joanne Woodward, Chief Planning and Economic Development Officer		November 2019	

#### 4. Receipt of S106 Income: Updating spreadsheets in use consistently

Priority	Issue	Risk	Recommendation
High	<p>Three spreadsheets are in use for the monitoring of financial obligations and recording of payments received:</p> <ul style="list-style-type: none"> <li>• ‘Outstanding Contributions’ is a log of all financial obligations identified in S106 agreements and the relevant trigger points attached to these obligations;</li> <li>• The ‘Monitoring’ spreadsheet which is a record of payments made and payments outstanding; and</li> <li>• ‘S106 Funds Data’ which tracks all financial obligations and records of payments received (as per Agresso) and is also used for tracking the spending of S106 income.</li> </ul> <p>We identified that the spreadsheets are not being updated consistently and accurately to reflect the status of the financial obligations, which made it difficult to establish which financial obligations were being fulfilled and those outstanding.</p> <p>For example, in the ‘Monitoring’ spreadsheet, we identified that some contributions had been received but payment is recorded as a total, with no breakdown to indicate which financial obligations the collected amount relates to. When cross checking against the ‘Outstanding Contributions’ spreadsheets which list the financial obligations individually, we noted that this is not consistently updated to reflect the payments made, which could help identify what the payment was. With more recent payments, the breakdown of the money received had been recorded, but for majority of the spreadsheet this was not the case.</p> <p>Furthermore, we tested a sample of 10 payments to check the accuracy of payment recording and found in three cases, whilst the payment was correctly posted in Agresso, in the ‘S106 Funds Data’ spreadsheet, the payment was showing against a different S106 agreement reference and address.</p>	<p>The monitoring spreadsheets are an important tool for monitoring the contributions due and monies received. Where the spreadsheets are not accurate, there is an increased risk of financial loss if the Council are unable to identify and recover outstanding payments. Additionally, where income has not been recorded correctly, there is a risk of expenditure being used for invalid purposes in breach of the S106 agreement.</p>	<p>A reconciliation or review of payment records should be undertaken to confirm that payments are accurately allocated and that outstanding demand notices and payments can be identified.</p> <p>The data from both monitoring spreadsheets used by the S106 Monitoring Officer should be combined and a single control document for monitoring both financial obligations due and payments made. This will help ensure consistent recording of information and more effective monitoring of outstanding payments.</p> <p>Consideration should also be given to including details of the commencement date (if known) and the date when the commencement notice was received next to the trigger date, to establish and track any surcharges which might be applicable.</p>

<p>The reconciliations performed between Agresso and the S106 Funds Data spreadsheet are based on the payment references which would not necessarily highlight if the payment has been allocated to a different site and therefore against a different financial obligation.</p>		
<b>Management Response</b>		
<p>There is now a single shared data base now in use with Finance and Planning services. This is to ensure consistency of information and spreadsheets are updated in real time. The already established S106/CIL Board receives monthly updates of financial position and can interrogate the data and track movements.</p>		
<b>Responsible Officer</b>	<b>Deadline</b>	
<p>Joanne Woodward, Chief Planning and Economic Development Officer</p>	<p>Implemented and on-going</p>	

### 5. Monitoring Completion/Delivery of Non-Financial Obligations

Priority	Issue	Risk	Recommendation
High	<p>There are currently no formal procedures for monitoring non-financial obligations. We were informed that non-financial obligations may be looked at on an ad hoc basis when the officer is monitoring financial obligations, however this is not documented.</p> <p>As non-financial obligations are not monitored for completion, cases where enforcement action is required may not be identified.</p>	<p>Where monitoring of non-financial obligations is not undertaken, there is an increased risk that obligations are not completed in line with the deed of agreement, resulting in the impacts of the development not being fully offset.</p> <p>Where enforcement activity for non-financial obligations is not undertaken, there is an increased risk that obligations remain uncompleted and the deed of agreement between the Council and the developer is not complied with.</p>	<p>Non-financial obligations should be logged and tracked to enable effective monitoring of the completion/ delivery of non-financial obligations and to identify cases that require enforcement action. This monitoring should be documented.</p> <p>In order to facilitate effective monitoring, the spreadsheet for monitoring non-financial obligations should be updated to include dates that the obligations are to be triggered.</p> <p>Where is not considered practical to monitor all non-financial obligations, they should be monitored on a risk basis.</p>
<b>Management Response</b>			
We have focussed on improving robustness of receipt and management of financial obligations and a number of changes and controls established to address the issues identified in the audit. We have commenced a review of non- financial obligations. This will be completed by Autumn 2019			
<b>Responsible Officer</b>		<b>Deadline</b>	
Joanne Woodward, Chief Planning and Economic Development Officer		November 2019	

## 6. Utilisation and Monitoring of S106: Use of Funds

Priority	Issue	Risk	Recommendation
Medium	<p>We selected a sample of five payments and checked the S106 Funds Data spreadsheet for the allocations, as per approved allocations in the Drawdown Report.</p> <p>With reference to the issues identified in Recommendation 4 above, due to the recording of S106 payments, it was difficult to confirm in three cases which financial obligation the payment had been received for and therefore difficult to determine if the funds collected were then allocated to an appropriate project. The exceptions were:</p> <ul style="list-style-type: none"> <li>• Chelsea Creek</li> <li>• 77-89 Glenthorne Road</li> <li>• 271 - 281 King Street</li> </ul> <p>This is more difficult in cases where a large sum of money is collected as a result of the S106 agreement but this is split between different eligible projects and themes.</p>	<p>Where the Council are unable to demonstrate that the S106 funds have been used for the intended purpose and in line with regulations, there is an increased risk of reputational damage for the Council and financial loss where further the expenditure is required to offset the development and meet the terms of the agreement.</p>	<p>The S106 spreadsheet should be updated and amended to clearly show allocations of funds to specific projects. This will help maintain an adequate audit trail to demonstrate that funds have been allocated to specific themes as per agreements and as approved by the Cabinet.</p>
<b>Management Response</b>			
This recommendation has been completed. All spend has been reviewed and verified.			
<b>Responsible Officer</b>		<b>Deadline</b>	
Joanne Woodward, Chief Planning and Economic Development Officer		Complete	

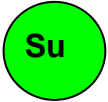


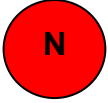
## 7. Utilisation and Monitoring of S106: Monitoring of S106 Spend

Priority	Issue	Risk	Recommendation
Medium	Once payment is approved, and released, expenditure is not verified. Whilst we could confirm for each drawdown transaction, that these had been correctly allocated to the proposed project as per the Drawdown report, allocations are generic. For example, the allocations are posted under themes (Schools, Parks, Highways, CCTV) so we were unable to confirm if the funds were spent for the intended purpose.	<p>Where the Council is unable to demonstrate that the S106 funds have been used for the intended purpose, there is an increased risk of reputational damage for the Council and financial loss where further the expenditure is required to offset the development and meet the terms of the agreement.</p> <p>Where the Council are not maintaining adequate records of S106 balances, there is an increased risk that the Council are unaware of S106 funds available for expenditure and is unable to deliver policy objectives which could be delivered if appropriate records were maintained.</p>	<p>Project owners should provide evidence of S106 funds expenditure to confirm that the funding has been spent as per agreed terms.</p> <p>Specific projects should be assigned to S106 funds (for each pot / financial obligation) to enhance transparency when documenting S106 spend. The S106 Funds Data spreadsheet has a column to state 'Proposals for use' which should be utilised.</p>
<b>Management Response</b>			
This recommendation is already implemented. All services are required to provide evidence of Cabinet Member approval in order to draw down of S106 funds. In addition, evidence of spend is also required.			
<b>Responsible Officer</b>			<b>Deadline</b>
Joanne Woodward, Chief Planning and Economic Development Officer			Completed



## Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
 <b>Su</b>	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 <b>Sa</b>	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 <b>L</b>	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 <b>N</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Priority	Description
<b>High</b>	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system's objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
<b>Medium</b>	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
<b>Low</b>	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

### Appendix 3: Audit Scope, Limitations & Inherent Risks

This audit was a full risk based review of the arrangements for Section 106 Agreements and included the following areas:

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
1	Corporate Oversight	An adequate governance structure is in place to ensure a coordinated approach to S106 funding across the Council and that accountability for S106 funding has been clearly defined and communicated. Furthermore, there is a system in place to monitor compliance with procedures and legislation relating to S106 funding.
2	External Policy and Guidance	The criteria on which S106 contributions are determined are transparent, so as to aid developer's understanding of the approach and to aid the negotiation process.
3	Development of S106 Agreements	The likely level and type of pressure that a development would generate is accurately identified in a full and timely manner, and that an appropriate contribution to help mitigate this is agreed with the developer.
4	Receipt of S106 Income	All income due from developers is received in a full and timely manner in line with the agreement, and is completely and accurately accounted for.
5	Monitoring Completion/Delivery of Non-Financial Obligations	Any non-financial obligations agreed with the developer are completed / delivered in a full and timely manner and only valid changes to the agreed obligation are accepted. Regular and timely monitoring of project status is undertaken.
6	Enforcement of S106 Agreements	Where the developer fails to meet the obligations set out in the S106 agreement - financial or non-financial - appropriate and timely action is taken to enforce the obligations, in accordance with the Planning and Compensation Act 1991.
7	Utilisation and Monitoring of S106 Expenditure	The income received from developers, where applicable, is appropriately utilised, in a full and timely manner, so as to target the relevant local infrastructure which is under the greatest pressure from the development. Furthermore, there is on-going monitoring of ring fenced and time bound income to ensure that it is spent appropriately and in a timely manner.

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## Limitations to the Scope of the Audit

- The audit focussed on evaluating the controls put in place to identify and prevent overspends going forward and does not provide assurance that previous overspends had been resolved or that all current or historical overspends have been identified and authorised appropriately;
- This audit was undertaken using a risk based approach and any testing undertaken as part of this audit was compliance based and sample testing only; and
- Our work does not provide an absolute assurance that material error; loss or fraud does not exist.

## Inherent Risks

The risks listed below are **potential** inherent risks which are common for any system of this type:

- Non-compliance with regulatory requirements and recommended practice;
- CIL income is not maximised where eligible developments are not identified for CIL charges and/or charges are incorrectly;
- Invalid exemptions are applied for and granted;
- Inefficient and ineffective charge collection and debt recovery, leading to a loss of income; and
- Planned benefits derived from CIL income are not delivered

## Appendix 4: Timetable and Distribution List

Stage	Date
Exit Meeting/ End of Fieldwork	16/08/2018
Draft Report Issued	18/09/2018
Responses Received	29/03/2019
Final Report Issued	01/04/2019

Audit Team
Client Engagement Manager: James Graham
Auditor: Rupinder Singh
Auditee
Ellen Whitchurch - Head of Development Management
Peter Kemp - Planning Change Manager
Seamus Thornton – S106 Monitoring Officer
Client Sponsor
Jo Rowlands – Executive Director of Planning and Borough Development

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

This report is prepared solely for the use of Audit Committee and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.