

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF COMMUNITY INFRASTRUCTURE LEVY AUDIT 2016-17**

**Issued to:** Nigel Davies, Director of Environment and Community Services  
Jim Kehoe, Chief Planner, Environment and Community Services  
Mary Manuel, Head of Development Plan and Planning Strategy, Environment and Community Services  
Tim Horsman, Planning Development Control Manager, Environment and Community Services  
Steve Ing, Planner, Environment and Community Services  
Claire Martin, Head of Finance, ECS and Corporate  
Pauline Maton, Local Land Charges Manager, Environment and Community Services

**Cc** Peter Turner, Director of Finance  
Claudine Douglas-Brown, Head of Exchequer Services

**Prepared by:** Principal Auditor

**Date of Issue:** 11 November 2016

**Report No.:** CX/085/01/2016

## REVIEW OF CIL AUDIT 2016-17

### INTRODUCTION

1. This report sets out the results of our systems based audit of the Community Infrastructure Levy (CIL) Audit 2016-17. The audit was carried out in quarter Q2 as part of the programmed work specified in the 2016/17 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
2. CIL is a levy that Local Authorities (including the Greater London Authority) can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want - for example new or safer road schemes, park improvements or a new health centre.
3. The Mayor of London's levy is intended to raise funds to pay for transport infrastructure. Bromley intends to implement its own CIL during 2017 to pay for Bromley's own infrastructure needs.
4. The Mayor's levy applies to all new dwellings and new buildings and extensions proposing additional floorspace of 100 square metres and above. The Mayor chose a charge of £35 per square metre for Bromley on the net additional increase in floorspace of all developments. In 2014/15 a total of £1,273,723 was paid to Transport for London (TfL) and in 2015/16 a total of £2,025,758 was paid to TfL, representing 96% of the CIL income collected by Bromley. At the end of June 2016 there were 24 cases where a Demand Notice for payment had been issued to developers and 261 cases where there is a CIL liability in the future.

### AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued on 6 July 2016.

## REVIEW OF CIL AUDIT 2016-17

### AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

- 7 Controls were in place and working well in the areas of availability of completed forms and other case documentation to support the information recorded on the CIL database and calculating and paying the correct percentage of income to TfL.
- 8 Our testing identified the following issues which we would like to draw to management's attention :-
- CIL liability has not been identified in several recent cases where a planning application has been received.
  - A programme of spot check visits by the CIL team found that in three cases building work has already commenced but the Council has not been notified by the developer. Internal Audit also carried out spot check visits and found one property where building work had commenced and had been completed without notification to the Council.
  - The nominated Planner who carries out the quarterly reconciliation of income received and due is not aware of all relevant financial information e.g. surcharge invoices raised but not paid.
  - Roles, responsibilities and procedures within the CIL team need to be reviewed to ensure that expected controls such as separation of duties, supervision and authorisation are in place and operating effectively.
  - Late payment surcharges which remain outstanding had not been notified to the Land Charges team and the Land Charges team had not been notified in two cases where self-build relief had been granted.

## REVIEW OF CIL AUDIT 2016-17

- The information requirements for the CIL database which is used to record CIL applications, including reports which can be produced, access levels and training and guidance for other stakeholders, have not been specified. The option to link the database to the Uniform and Oracle applications has not been assessed.
- We noted that late interest payable (an annual rate of 2.5 percentage points above the Bank of England base rate) had not been applied when issuing surcharge invoices for late CIL payments, contrary to Section 87 of Part 9 of the CIL Regulations.
- The amount of CIL paid to TfL is included in the annual accounts but no CIL management information is produced or reported to senior officers and Members at the end of the financial year.
- Risks relating to CIL income collection are not currently included on the departmental risk register.

### SIGNIFICANT FINDINGS (PRIORITY 1)

9 There are two significant findings.

- When a planning application is received, it should be identified whether or not CIL is liable, with the relevant 'Y' or 'N' box on the form ticked accordingly and confirmation that the measurements submitted are correct. We are aware from discussions with the CIL team and Local Land Charges Manager and email correspondence provided that there have been several recent cases where CIL liability has not been identified, which would have resulted in a loss of income to the Council and TfL. In these cases, if building work has already commenced, there is a risk that liability to pay CIL could rest with the Council. It is difficult to quantify how many similar applications which are CIL liable have not been identified in previous years. Since completing our audit testing we are aware that discussions have been held between the CIL team and Planning Development Control team, resulting in training to identify CIL liable applications being given to Planners.

## REVIEW OF CIL AUDIT 2016-17

- Spot check visits have recently been carried out by the CIL team visiting properties which found that in three cases building work has already commenced but the Council has not been notified by the developer. Internal Audit also carried out spot check visits and found one property where building work had commenced and had been completed without notification to the Council. Details were provided to the CIL team. Where a chargeable development has commenced but LB of Bromley has not been notified, a surcharge equal to 20% of the chargeable amount payable or £2,500 can be imposed, whichever is the lower amount. Demand Notices and surcharges amounting to a total of £39,483.09 are being issued to the developers by the CIL team for the properties referred to above.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

- 11 Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>When a planning application is received, it should be identified whether or not CIL is liable, with the relevant 'Y' or 'N' box on the form ticked accordingly and confirmation that the measurements submitted are correct. We are aware from discussions with the CIL team and Local Land Charges Manager and email correspondence provided that there have been several recent cases where CIL liability has not been identified, which would have resulted in loss of income to the Council and TfL. It is not known how many similar applications which are CIL liable have not been identified in previous years. In these cases, if building work has already commenced, there is a risk that liability to pay CIL could still rest with the Council.</p>	<p>Planning applications which are CIL liable are not identified, leading to loss of income to the Authority.</p> <p>Where planning applications are subsequently identified as CIL liable and building work has already commenced, the Authority may be required to pay the CIL charge due to TfL.</p>	<p><b>Management should obtain a report run from Uniform independently by IT, identifying those planning applications made since 1 April 2015 where CIL liability has not been assessed and recorded. Those applications should be checked by management. Any cases where CIL is liable should be recorded and reported to Internal Audit with details of the properties, amounts due and action to be taken.</b></p> <p><b>[Priority 1]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>Spot check visits have recently been carried out by the CIL team visiting properties which found that in three cases building work has already commenced but the Council has not been notified by the developer. Internal Audit also carried out spot check visits and found one property where building work had commenced and had been completed without notification to the Council. Details were provided to the CIL team. Where a chargeable development has commenced but LB of Bromley has not been notified, a surcharge equal to 20% of the chargeable amount payable or £2,500 can be imposed, whichever is the lower amount. Demand Notices and surcharges amounting to a total of £39,483.09 are being issued to the developers by the CIL team for the properties referred to above.</p>	<p>Income due to the Council may not be identified and invoiced promptly.</p>	<p><b>The CIL team should put in place a formal programme of periodic spot check visits to identify any properties where building work has commenced but the Council has not been notified. The liable persons of any properties which are identified should be issued with a Demand Notice and a penalty charge invoiced. In the four cases identified, recovery action should be completed and the outcome notified to Internal Audit.</b></p> <p><b>[Priority 1]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Our analysis of the CIL payments received and outstanding as shown on Oracle and discussion with the nominated Planner and the finance officer revealed that the nominated Planner is not aware of all relevant financial information available from Oracle, e.g. first, second and final surcharges raised by Exchequer Contractor but which have not been paid, when he carries out his quarterly reconciliation of CIL income.</p> <p>We found one case where the CIL spreadsheet showed £3,093.89 payable to TfL under the future CIL liabilities but the Oracle record showed a nil debtor balance because the Liability Notice had been cancelled.</p> <p>One of the amounts on the CIL spreadsheet of payments due to be made to TfL in future showed £-158.40. We were informed by the nominated Planner, following investigation by Exchequer Contractor, that this related to court fees, had already been paid to TfL in error and would be recovered.</p> <p>We also noted two cases where the CIL amount due had been paid but the late payment surcharge totalling £325.11 and £200.00 respectively remains outstanding. The CIL team and Land Charges team were not aware of these.</p>	<p>Risk that all income outstanding is not identified leading to loss of income and current financial position regarding CIL payments made and outstanding is not accurate.</p> <p>Searches of the Land Charges register by the Land Charges team or members of the public will not reveal that there are late payment surcharges outstanding, leading to loss of income and challenges from interested individuals when properties are sold in future, loss of income and reputational risk to the Council.</p>	<p><b>Management should ensure that :-</b></p> <p><b>(a) the nominated Planner is made aware of all relevant financial information available from Oracle when he carries out the quarterly reconciliation process of CIL income, including surcharges so that the details can be included on the CIL database and Land Charges Register and</b></p> <p><b>(b) all invoices which are 'open' are reviewed and appropriate follow up or write off action is taken.</b></p> <p><b>[Priority 2]</b></p>

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement



DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p>We noted that there is a process flowchart for the numerous stages of administering and processing CIL applications, reconciliation of income and quarterly payments to TfL. The process involves exchanging information with other key stakeholders such as Planning, Land Charges, Exchequer Contractor and Finance Department. Due to the limited resources in the CIL team and as a result of the findings from this audit, there is a need to review how the existing roles, responsibilities and procedures can ensure that expected controls such as separation of duties, supervision and authorisation are in place and operating effectively.</p>	<p>A lack of clearly defined roles, responsibilities and procedures may lead to CIL applications and decisions not being processed timely, by the right people and with the incorrect information processed.</p>	<p><b>Management should review and clearly define the roles, responsibilities and procedures within the CIL team for administering and processing CIL applications.</b></p> <p><b>[Priority 2]</b></p>
5	<p>We found two cases in our sample testing where self build relief had been applied for by the developer/owner but the Land Charges team had not been notified by the CIL team that self build relief had been granted. There is no income due at present but this notification is required so that the Land Charges Register can be updated with the three year timescale during which self build relief can be withdrawn and CIL becomes payable if a disqualifying event occurs eg sale or letting of the property.</p>	<p>The details of self build relief status including conditions and expiry dates may not be recorded on the Land Charges Register, leading to possible loss of income if the conditions are breached in future.</p>	<p><b>The CIL team should ensure that the Land Charges team are notified of the details whenever a developer/owner has been granted self build relief so that the Land Charges Register can be updated with the date when self build relief is due to expire.</b></p> <p><b>[Priority 2]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p>The CIL database is currently being used as the single source of information for recording and monitoring all CIL cases. It is also used to produce the quarterly report of payments to be made to TfL. If the CIL database will continue to be used in future there is a need to identify what information should be recorded and management information produced, what levels of access, training and guidance should be given to other stakeholders such as the Land Charges team.</p> <p>We are aware that the CIL database is used by other Authorities and it would be useful to find out how they use it. We also understand that it can be linked to Oracle or Uniform and the cost-benefits that this may bring should be explored.</p>	<p>The full functionality of using the CIL database may not be identified and introduced, resulting in a loss of opportunities to improve CIL business processes.</p>	<p><b>Management should :-</b></p> <p><b>(a) Define what information should be recorded and management information produced from the CIL database and identify what levels of access, training and guidance should be given to other users such as the Land Charges team, and</b></p> <p><b>(b) Explore the functionality that the CIL database can provide to improve CIL business processes, including the cost-benefit of linking to existing systems such as Oracle and Uniform.</b></p> <p><b>[Priority 2]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
7	<p>During our audit testing of invoices raised, we noted that late interest payable (an annual rate of 2.5 percentage points above the Bank of England base rate) had not been applied to surcharge invoices for late CIL payments. This is contrary to Section 87 of Part 9 of the CIL Regulations.</p>	<p>Invoices raised are inaccurate leading to a loss of income for the Council and TfL.</p>	<p><b>Management should ensure that the correct amount of late interest payable (an annual rate of 2.5 percentage points above the Bank of England base rate) as set out in the CIL Regulations, is included in surcharge invoices for late CIL payments.</b></p> <p><b>[Priority 2]</b></p>
8	<p>No CIL management information is produced or reported to senior officers and Members at the end of the financial year, although the amount paid to TfL is included in the annual accounts.</p> <p>The level of future CIL liabilities at the end of the 2015/16 financial year amounted to £3,391.413. It should be noted that 96% (£3,255,756) if received, would be payable to TfL and 4% (£135,656) would be payable to LB of Bromley. LB of Bromley processed 184 CIL receipts during 2014/15</p>	<p>Future strategic and operational decisions may be made without key information about CIL income, resources and associated processes.</p>	<p><b>Management information about CIL, including amounts received and paid to TfL, amounts outstanding from Demand Notices and Liability Notices issued and amounts in dispute and their current status, is produced and reported to</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	which was the third highest number of receipts London-wide and resulted in a total of £1,273,726 being paid to TfL.		<p><b>senior officers and Members at the end of the financial year.</b></p> <p><b>[Priority 2]</b></p>
9	Risks relating to CIL income collection are not currently included on the departmental risk register.	Risks relating to CIL income may not be assessed and monitored by the department.	<p><b>Management should populate the departmental risk register with risks relating to CIL income collection and control measures to mitigate the risks occurring.</b></p> <p><b>[Priority 2]</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Management should obtain a report run from Uniform independently by IT, identifying those planning applications made since 1 April 2015 where CIL liability has not been assessed and recorded. Those applications should be checked by management. Any cases where CIL is liable should be recorded and reported to Internal Audit with details of the properties, amounts due and action to be taken.	1	Agreed. We will obtain a report from Uniform, identifying those planning applications made since 1 April 2015 where CIL liability has not been assessed and recorded. These applications will be checked by management. Any cases where CIL is liable will be recorded and reported to Internal Audit with details of the properties, amounts due and action to be taken.	Head of Planning Strategy and Projects with Planning Development Control Manager and nominated Planner	This has started and will be completed by February 2017.
2	The CIL team should put in place a formal programme of periodic spot check visits to identify any properties where building work has commenced but the Council has not been notified. The liable persons of any properties which are identified should be issued with a Demand Notice and a penalty	1	Agreed. A formal programme of periodic spot checks has been set up to identify any properties where building work has commenced but the Council has not been notified. The liable persons of any properties which are identified will be issued with a Demand Notice and a penalty charge invoiced.	Head of Planning Strategy and Projects and nominated Planner	This started in September 2016 and will be completed in February 2017. Further spot checks will then be put in place as

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	charge invoiced. In the four cases identified, recovery action should be completed and the outcome notified to Internal Audit.		Internal Audit have been advised of progress on the cases identified to date, and will be kept informed of further action.		required. 30 November 2016
3	Management should ensure that :-  (a) the nominated Planner is made aware of all relevant financial information available from Oracle when he carries out the quarterly reconciliation process of CIL income including surcharges, so that the details can be included on the CIL database and Land Charges Register and  (b) all invoices which are 'open' are reviewed and appropriate follow up or write off action is taken.	2	Agreed. (a) A request was made for the nominated Planner to have access to Oracle and this has now happened, with access to Mayoral CIL payment information. It includes financial information about surcharges so the details can now be included on the CIL database and Land Charges Register and  b) Open invoices have been identified and will be reviewed and follow up action will be taken.	Head of Planning Strategy and Projects and nominated Planner  Head of Planning Strategy and Projects and nominated Planner	30 November 2016  30 November 2016

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Management should review and clearly define the roles, responsibilities and procedures within the CIL team for administering and processing CIL applications.	2	Agreed. Management will review and clearly define the roles, responsibilities and procedures within different parts of Planning for administering and processing CIL applications.	Head of Planning Strategy and Projects with Planning Development Control Manager and nominated Planner	31 December 2016
5	The CIL team should ensure that the Land Charges team are notified of the details whenever a developer/owner has been granted self build relief so that the Land Charges Register can be updated with the date when self build relief is due to expire.	2	Agreed. We will ensure that officers granting self build relief notify the Land Charges Team so that the Land Charges Register can be updated with the date when self build relief is due to expire.	Head of Planning Strategy and Projects and nominated Planner	30 November 2016
6	Management should :-  (a) Define what information should be recorded and management information produced from the CIL	2	Agreed. Management will  (a) Define what information should be recorded and management information produced from the CIL	Head of Planning Strategy and Projects and nominated Planner	7 December 2016

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>database and identify what levels of access, training and guidance should be given to other users such as the Land Charges team, and</p> <p>(b) Explore the functionality that the CIL database can provide to improve CIL business processes, including the cost-benefit of linking to existing systems such as Oracle and Uniform.</p>		<p>database and identify what levels of access, training and guidance should be given to other users such as the Land Charges team, and</p> <p>(b) Will explore the functionality that the CIL database can provide to improve CIL business processes, including the cost-benefit of linking to existing systems such as Oracle and Uniform.</p>	<p>Head of Planning Strategy and Projects and nominated Planner</p>	<p>31 January 2017</p>
7	<p>Management should ensure that the correct amount of late interest payable (an annual rate of 2.5 percentage points above the Bank of England base rate) as set out in the CIL Regulations, is included in surcharge invoices for late CIL payments.</p>	2	<p>Agreed. Management will ensure that the correct amount of late interest payable (an annual rate of 2.5 percentage points above the Bank of England base rate) as set out in the CIL Regulations, is included in surcharge invoices for late CIL payments.</p>	<p>Head of Planning Strategy and Projects and nominated Planner And the Exchequer Contractor</p>	<p>30 November 2016</p>



MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	Management information about CIL, including amounts received and paid to TfL, amounts outstanding from Demand Notices and Liability Notices issued and amounts in dispute and their current status, is produced and reported to senior officers and Members at the end of the financial year.	2	Agreed. Management information about CIL, including amounts received and paid to TfL, amounts outstanding from Demand Notices and Liability Notices issued and amounts in dispute and their current status, will be produced and reported to senior officers and Members at the end of the financial year.	Head of Planning Strategy and Projects and nominated Planner	31 March 2017
9	Management should populate the departmental risk register with risks relating to CIL income collection and control measures to mitigate the risks occurring.	2	Agreed. Management will populate the departmental risk register with risks relating to CIL income collection and control measures to mitigate the risks occurring.	Head of Planning Strategy and Projects and nominated Planner	30 November 2016

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

<b>Assurance Level</b>	<b>Definition</b>
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.