

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

FOLLOW UP REVIEW OF COMMUNITY INFRASTRUCTURE LEVY AUDIT
2017/18

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Prepared by: Principal Auditor

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Report No.: CX/085/01/2016

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of the Community Infrastructure Levy. The audit was carried out in quarter two as part of the programmed work specified in the 2017/18 Internal Audit Plan, agreed by the Section 151 Officer and Audit Sub-Committee.
2. 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.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report issued on 11 November 2016 and the progress made to implement the nine recommendations.

MANAGEMENT SUMMARY

4. We carried out sample testing and analysis of relevant documentation to confirm the extent to which the recommendations made in our original report had been implemented. We found that five recommendations had been implemented, including the two Priority 1 recommendations in our original report, three recommendations had been partly implemented and one had not been implemented. One of the partly implemented recommendations relating to outstanding income due from CIL applications has been raised to a Priority 1.
5. There are four new recommendations which have arisen from our testing. Two of these relate to clarification to the Land Charges Team that final notification of self-build relief has been received and ensuring that the Exchequer Contractor notify the full details of the debtors, case references and amounts to the CIL team and the Land Charges Team when income has been received. We saw the Surcharges Policy which the CIL team has put in place and the Exchequer Contractor's Mayoral CIL Procedural Guidance which they follow. This Guidance does not however include the process to be followed for late payment interest and needs to be updated to include this.
6. During the course of our follow up audit testing the CIL officer, who was an agency member of staff, resigned. A graduate intern is now carrying out this role. The role is key to the CIL process because checks on the CIL liability and measurements submitted by applicants are carried out. He will need to be supervised closely with relevant training to ensure that the requirements of the post are met. We have recommended therefore that appropriate separation of duties and authorisation controls are put in place by management.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There were two Priority 1 findings identified during our original audit. These related to CIL liability not being identified when a planning application is received and spot check visits not being carried out by the CIL team to identify any properties where building work has commenced but the Council have not been notified. Our follow up review has found that the two recommendations arising from these findings have now been implemented and the details are recorded in Appendix A.
8. One of our original Priority 2 recommendations has been partly implemented and, in view of our findings during the follow up testing, has been raised to a Priority 1. We found that the CIL and Planning Services Manager has now been given access to Oracle and is able to check information about individual invoices raised and amounts received. We downloaded a Discoverer report from Oracle during our follow up testing which showed that there were 39 cases open from previous financial years with 68 debtor invoices outstanding totaling £385,144.
9. Four of these cases involved legal action and were over twelve months old. Furthermore, we noted that there were cases where the Demand Notice amount had been paid but the surcharge remained outstanding. The Land Charges Team were not aware of the surcharges in all of these cases and the Land Charges Register did not therefore have a record of these amounts outstanding.
10. We also found from our sample testing that in 10 cases, amounts of surcharges invoiced and shown as unpaid on Oracle were either not recorded or shown as different amounts on the report from the CIL database which is provided to TfL showing the future CIL liable amounts. Due to the discrepancies identified, the lack of a procedure in place to reconcile periodically the amounts owed and the need for accuracy and completeness in the recording and reporting of information to TfL and the Land Charges Team, we have raised this to a Priority 1 recommendation.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

11. Appendix A provides information on the recommendations that are being followed-up and the status following the audit review. Any new findings and re recommendations are detailed in Appendix B of this report and require management comment. Appendix B also gives definitions of the priority categories.

ACKNOWLEDGEMENT

12. We would like to thank all staff contacted during this review for their help and co-operation.

No	Recommendation (Internal Audit report November 2016)	Priority	Management comment	Responsibility	Agreed timescale	Follow-up comments	Status
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 CIL and Planning Services Manager	This has started and will be completed by February 2017.	<p>A report was run from Uniform and 48 cases since 1 April 2015 were identified where liability should have been recorded.</p> <p>As previously reported to the Audit Sub-Committee in June 2017, there are 23 cases where liability was not identified and work had started. The CIL team believe that the applicants could have received a self-build, extension or charitable exemption, had the Council identified these cases originally as being CIL liable and informed the applicant accordingly. These applicants are unable to claim an exemption now because they have started (or finished) building work.</p> <p>The situation was explained in a letter to TfL by the CIL team in May 2017, stating that, in the circumstances,</p>	Implemented

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No	Recommendation (Internal Audit report November 2016)	Priority	Management comment	Responsibility	Agreed timescale	Follow-up comments	Status
						no further action would be taken in these cases.	
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 charge invoiced. In the four cases identified, recovery action should be completed and the outcome notified to Internal Audit.	1	<p>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.</p> <p>Internal Audit have been advised of progress on the cases identified to date, and will be kept informed of further action.</p>	Head of Planning Strategy and Projects and CIL and Planning Services Manager	<p>This started in September 2016 and will be completed in February 2017. Further spot checks will then be put in place as required.</p> <p>30 November 2016</p>	<p>Since our original audit a formal programme of spot check visits have been carried out by the CIL team. They are carried out at the beginning or end of the day, as part of the individual's journey to or from work, to make best use of available time. We found that the latest programme of 19 visits in March and April 2017 had identified three properties where building work had started but the Council had not been notified. This has resulted in a total amount of £17,250.13 invoiced, including surcharges.</p>	Implemented
3	<p>Management should ensure that :-</p> <p>(a) the CIL and Planning Services</p>	2	<p>Agreed. (a) A request was made for the CIL and Planning Services Manager to have access to Oracle and this has</p>	Head of Planning Strategy and Projects and CIL and	30 November 2016	(a) and (b) The CIL and Planning Services Manager has been given access to Oracle and is able to check information about individual	Partly implemented and therefore re-recommended, but upgraded to

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No	Recommendation (Internal Audit report November 2016)	Priority	Management comment	Responsibility	Agreed timescale	Follow-up comments	Status
	<p>Manager 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</p> <p>(b) all invoices which are 'open' are reviewed and appropriate follow up or write off action is taken.</p>		<p>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</p> <p>b) Open invoices have been identified and will be reviewed and follow up action will be taken.</p>	<p>Planning Services Manager</p> <p>Head of Planning Strategy and Projects and CIL and Planning Services Manager</p>	<p>30 November 2016</p>	<p>invoices raised and amounts received.</p> <p>During our follow up testing we obtained a Discoverer report from Oracle which showed 39 cases open from previous years with 68 debtor invoices outstanding totalling £358,144.86.</p> <p>Whilst there was a record of legal action being taken in four of these cases (CIL case 'A', CIL case 'B', CIL case 'C' and CIL case 'D'), the last dispute date in each case was over 6 months ago and we were unable to see the up-to-date position. We were also unable to see that appropriate follow up action had been taken in all other cases. For example, we noted that there were cases where the demand notice amount had been paid but the surcharge remained outstanding. For the amounts which remain</p>	<p>a new Priority 1 recommendation.</p>

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						<p>outstanding, this is income where 96% of it is due to TfL. Therefore it is unclear if the Council has to pay over to TfL any amounts which the Council fails to collect and then decides to write off.</p> <p>A sample of these cases were checked by the Land Charges Team. They were not aware of the outstanding surcharges in all cases and the Land Charges Register did not have a record of these amounts due.</p> <p>We also found that amounts of surcharges invoiced and shown as unpaid on Oracle were either not recorded or inaccurately recorded on the report from the CIL database which provides the amount of future liabilities CIL information reported to TfL.</p> <p>In view of the number of invoices which remain outstanding from previous</p>	

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						<p>years, the unclear position on the legal cases started in previous years and the discrepancies in the information and amounts outstanding on Oracle, the Land Charges Register and the CIL database, we have upgraded this to a Priority 1 recommendation.</p> <p>For ease of reference a spreadsheet showing all the open invoices by customer name and transaction date as at today's date is provided with this report.</p>	
4	<p>Management should review and clearly define the roles, responsibilities and procedures within the CIL team for administering and processing CIL applications.</p>	2	<p>Agreed. Management will review and clearly define the roles, responsibilities and procedures within different parts of Planning for administering and processing CIL applications.</p>	<p>Head of Planning Strategy and Projects with Planning Development Control Manager and CIL and Planning Services Manager</p>	31 December 2016	<p>The roles, responsibilities and procedures within the CIL for administering and processing CIL applications have been reviewed and defined.</p>	Implemented

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No	Recommendation (Internal Audit report November 2016)	Priority	Management comment	Responsibility	Agreed timescale	Follow-up comments	Status
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 CIL and Planning Services Manager	30 November 2016	<p>We selected a sample of recent cases where self-build relief had been granted and our testing confirmed that the Land Charges Team had been notified of these. We checked that the details recorded on the Land Charges Register were correct, including the date when self-build relief is due to expire.</p> <p>We were informed by the Land Charges Team that the cases stay on the Land Charges Register until a final notice is received from the CIL team. A sample of notification emails sent by the CIL team did not clearly state that a final notice of self build had been received. A standard form of wording needs to be agreed between the CIL team and the Land Charges Team so that it is clear when final notification has been received.</p>	Original recommendation implemented but a new recommendation has been raised.

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No	Recommendation (Internal Audit report November 2016)	Priority	Management comment	Responsibility	Agreed timescale	Follow-up comments	Status
6	<p>Management should :-</p> <p>(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</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>	2	<p>Agreed. Management will</p> <p>(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</p> <p>(b) We 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 CIL and Planning Services Manager</p> <p>Head of Planning Strategy and Projects and CIL and Planning Services Manager</p>	<p>7 December 2016</p> <p>31 January 2017</p>	<p>(a) and (b) We were informed by the CIL and Planning Services Manager and the Land Charges Manager that training on the functionality of the CIL database was provided by the CIL database consultant. We have not however seen documented evidence of the training provided or how this has been implemented to improve current business processes.</p> <p>In view of the discrepancies in the accuracy of recorded information identified through our testing in recommendation 3, we are unable to give assurance that this recommendation has been fully implemented. We were informed by the CIL team that the Uniform version 10 upgrade has recently taken place and a possible link to the CIL database and Oracle will be explored by the end of March</p>	Not implemented and therefore re-recommended

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						2018.	
7	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.	2	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.	Head of Planning Strategy and Projects and CIL and Planning Services Manager and the Exchequer Contractor	30 November 2016	A surcharges policy has been put in place by the CIL team. This includes the circumstances where late interest is payable. We identified three cases within the last twelve months where we considered that late payment interest would be payable (CIL case 'E', CIL case 'F' and CIL case 'G'). We could not see however that late payment interest had been invoiced, or that the amount of late payment interest had been included on the CIL database record by management.	Partly implemented and therefore re-recommended.
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	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	Head of Planning Strategy and Projects and CIL and Planning Services Manager	31 March 2017	This has not been implemented. Management have not yet decided which is the most appropriate Committee/forum to report this information to.	Not implemented and therefore re-recommended.

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	current status, is produced and reported to senior officers and Members at the end of the financial year.		reported to senior officers and Members at the end of the financial year.				
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 CIL and Planning Services Manager	30 November 2016	The departmental risk register has now been updated with risks relating to CIL.	Implemented

No	Re-recommendation	Priority	Management Comment	Responsibility	Target Date
			(Response provided by Head of Exchequer Services)		
2 Original rec no. 6	<p>Management should :-</p> <p>(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</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>	2	<p>Agreed. CIL database training being provided to Land Charges Officer and graduate intern covering the CIL officer post 5/10/17 and 6/10/17.</p> <p>Enquiry already made to the CIL database supplier re linking to Oracle. Link to uniform already exists. The CIL database supplier advised a very basic link to Oracle. Further information requested. IT assistance will be required.</p> <p>(Response provided by Head of Planning Strategy)</p>	<p>Head of Planning Strategy / CIL Manager</p> <p>Head of Planning Strategy / CIL Manager</p>	<p>Implemented</p> <p>Initial enquiry early October with follow up action to be taken by 31 December 2017.</p>
3 Original rec no. 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 calculated and included in surcharge invoices for late CIL payments. For those</p>	2	<p>Agreed that late interest will be charged by the Exchequer Contractor automatically except where there is a dispute recognised by the Exchequer Contractor or advised by the CIL team and a hold put on late interest and surcharges. Exception is where late payment would be less than £50.</p> <p>(Response provided by Head of Planning Strategy)</p>	<p>Head of Planning Strategy / CIL Manager</p>	<p>31 October 2017</p>

No	Re-recommendation	Priority	Management Comment	Responsibility	Target Date
	cases which Internal Audit have identified during the follow up testing as being liable for a late interest payment, the CIL team and the Exchequer Contractor should check these cases and raise invoices if appropriate.		<p>The Exchequer Contractor will include late interest payment in the surcharge invoices. The calculation will be in accordance with the guidance as set out in the CIL team's Surcharges Policy once this has been issued.</p> <p>Agreed. The Exchequer Contractor will review with the CIL team the cases as identified by Internal Audit as being liable for late interest payment and raise invoices if appropriate.</p> <p>(Response provided by Head of Exchequer Services)</p>	Operations Manager – The Exchequer Contractor	<p>Once the Surcharges Policy has been issued by the CIL team.</p> <p>Within 5 working days of receiving the final Surcharges Policy the CIL team confirming interest is to be charged on these cases.</p>
4 Original rec no. 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	<p>Agreed. Monies received and transferred to TFL are signed off by the Director of Environmental Services currently. The amount outstanding from Demand Notices will be reported to Environmental Services DMT half yearly and to Members annually.</p> <p>Approach to outstanding Liability notices to be considered as these relate to planning permissions and only become payable when planning permission has commenced, so may need a different approach to analysis.</p> <p>(Response provided by Head of Planning Strategy)</p>	Chief Planner / Head of Planning Strategy	30 November 2017 and 30 April 2018 for reporting to DMT and 31 May 2018 for reporting to Members.

No	Re-recommendation	Priority	Management Comment	Responsibility	Target Date
No	New recommendation	Priority	Management Comment	Responsibility	Target Date
1	A standard form of email wording is agreed between the CIL team and the Land Charges Team so that the Land Charges Team are fully aware that the final stage of the self-build relief process has been concluded and that no further action is outstanding.	2	Agreed. A standard form of wording will be provided for self build and extension relief. (Response provided by Head of Planning Strategy)	Head of Planning Strategy / CIL Manager	31 October 2017
2	The Exchequer Contractor ensures that the weekly notification to the CIL team and the Land Charges Team of income received includes full details of the debtors, case references and amounts received, including surcharges.	2	Agreed. The omission was due to new staff taking on the task from July 2017. (Response provided by Head of Exchequer Services)	Operations Manager - The Exchequer Contractor	Already implemented and is on-going

No	New recommendation	Priority	Management Comment	Responsibility	Target Date
3	<p>Following the recent departure of the former CIL officer, formal checks and separation of duties should be put in place by management to ensure that:-</p> <p>(a) the CIL and Planning Services Manager checks the measurements of all new CIL applications calculated by the graduate intern who is now carrying out the CIL role and</p> <p>(b) the CIL and Planning Services Manager checks, authorises and issues the Liability Notices prepared by the graduate intern.</p>	2	<p>Agreed. The measurements of all new CIL applications and details of Liability Notices prepared are being checked by a different member of staff to the one preparing it.</p> <p>(Response provided by Head of Planning Strategy)</p>	Head of Planning Strategy	Implemented
4	<p>The Mayoral CIL Procedural Guidance operated by the Exchequer Contractor is updated to include the process to be followed for late payment interest.</p>	2	<p>Agreed. Update to be made. The Surcharges Policy, which includes the late payment policy, will be revised and circulated to the Head of Exchequer Services.</p> <p>(Response provided by Head of Planning Strategy)</p> <p>Agreed. The Exchequer Contractor Mayoral CIL Procedural Guidance will be updated once the CIL team has provided the Head of Exchequer Services and the Exchequer Contractor with the revised Surcharges Policy.</p> <p>(Response provided by Head of Exchequer Services)</p>	<p>Head of Planning Strategy</p> <p>Senior Operations Manager - The Exchequer Contractor</p>	<p>31 October 2017</p> <p>Once the Surcharges Policy has been issued by the CIL team.</p>

Definition of priority categories.

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**