

3 **Scope and Objectives of the Audit**

3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Policies and procedures
- Programming
- Document retention and system updates
- Void properties
- Payments to contractors.

3.3 The control objectives examined were:

- Staff and contractors are aware of how the Council aims to meet its legislative requirements
- Safety checks are undertaken in a timely manner, in line with legislation and Council policies
- The Council receives and retains evidence of the checks performed
- Staff and contractors are working to the correct information
- Tenants moving into Council dwellings are assured of the gas and electrical safety of their new property
- The Council only pays for work performed
- The contractor is paid appropriately for work performed.

3.4 Checks of corporate properties are excluded from the scope of this audit as a separate audit of Health & Safety Compliance of Council Buildings is scheduled to be undertaken.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 This is the first audit of this topic, so this section is not relevant.

4.2 **Policies & Procedures**

4.2.1 The Compliance Manager (CM) advised that there was no overarching policy covering the checks required as the need for the checks to be performed was covered by regulations.

4.2.2 There is a documented process in place regarding instances where contractors are unable to gain access to properties in order for them to undertake the required safety checks. The Compliance Team Leader (CTL) provided a copy of the process map but advised that it was out of date as some steps were no longer being performed. However, the document was brought up to date during the course of the audit.

4.2.3 During the planning stages of the audit, it was advised that Housing Services also had an 'aspirational' policy that EICR checks / certification should be undertaken on a five-yearly basis (in line with the recommendations in BS7671) although it was not clear whether this 'policy' was documented.

- 4.2.4 However, upon review of the contract specification, it was confirmed a clause setting this out was included (6.1.2 – All domestic installations deemed “Satisfactory” should have the time to re-test stipulated as “5Yrs/Change of Occupancy”).
- 4.2.5 The specification for each contract includes details of the checks to be performed along with reference to the relevant legislation / standards. The gas contract documentation also includes a process map, showing how the checks will be undertaken on a ‘day-to-day’ basis.
- 4.2.6 Upon request during the audit, method statements (and an associated risk assessment for gas servicing) were provided by the relevant contractors.
- 4.2.7 No formal office procedure notes are in place for the processes required in to ensure that the checks are undertaken (e.g. producing system reports for programmes of visits etc.). However, the Gas Servicing Administrator (GSA) advised that, as part of his ‘on-the-job’ training, he had been making notes and was in the process of documenting these more formally and he provided copies of the initial draft documents.
- 4.3 **Programming**
- 4.3.1 The CM advised that Dodds work through all properties on a cyclical basis for the electrical checks, so there is no specific process required to identify the properties that are due for a check. However, the CTL suggested that there is the intention that formal programmes be introduced for the electrical testing.
- 4.3.2 With regards to the gas servicing with D&K, reports are run off Active H. The report generates a list of properties that are reaching ‘month nine’ in order to ensure that the properties will be visited and checked by the anniversary of the last check. This is undertaken by entering relevant dates into the report configuration screen. Once the report is generated, an email will be sent to D&K advising them of the properties that are due their servicing.
- 4.3.3 When new properties are acquired by the Council, Dodds would be made aware that they need to add these into their list. D&K do not need to be made aware of new properties as the reports for gas servicing are generated by Council staff and any new properties would be picked up as part of the normal routine.
- 4.3.4 As Dodds work to a cyclical review cycle, the CM advised that there is no real issue over ‘no access’, as the certificates are valid for ten years and there was no requirement to provide new certificates if the tenant remained in the property. However, Dodds occasionally provide spreadsheets showing those where they have struggled to gain access and the GSA advised that he intends to visit properties on the (current) spreadsheet in the near future.
- 4.3.5 The CTL also highlighted that, once the EICR date on the system is more than five years old, you cannot raise a new works order on the (Active H) system (although the CM suggested that discussions are being held with Housing Services to see if this can be amended to nine years). When the tenant is on the phone to organise the other job, the EICR check would also be booked in.

- 4.3.6 For the gas servicing, the CTL advised that D&K are aware of the process (as per 4.2.2 above) and would refer any access issues to the Compliance Team after two failed attempts at access. She provided a spreadsheet showing the current 'no access issues' which showed that continuing action was being taken to address the issues.
- 4.3.7 Monthly progress meetings are held with each contractor and reports showing any properties / certificates that are coming up to their due dates would be discussed. Sample minutes were provided to confirm that the meetings had recently been held.
- 4.3.8 The GSA also suggested that he is reviewing the system most days and can run reports of the checks that are due in a specific number of weeks (depending on the criteria used) with weekly reports now being generated.
- 4.3.9 The CM also advised that there is visibility of the key compliance issues through the TV screen in the Assets Team 'office' with the information being generated on spreadsheets / PowerPoint from information extracted in real time from Active H. He also provided details of a business case that is being put together for the relevant dashboard / business information module of Active H that allows for issues to be flagged when a user logs on to the system.
- 4.3.10 As suggested above, the electrical checks are undertaken on a cyclical programme. At present, the CM advised that this does not meet the five-year period as set out within the contract, with properties being certified roughly every seven years.

Risk

The terms of the contract and the British Standards recommendations may not be adhered to.

Recommendation

The contractor should be reminded of the terms of the contract, with performance being reviewed accordingly to ensure that this is adhered to.

- 4.3.11 Regulation 36(a) of the Gas Safety (Installation & Use) Regulations 1998 (GSIUR) allows for the anniversary of gas checks to be preserved if the check is performed slightly early (i.e. a check can be performed in month ten but would be treated as if it had been performed at the expiry of the previous certificate). However, the CM advised that there is no benefit (or risk) to the Council of this as the contractor is paid on a 'price per property' basis so, if they visit the properties every ten months and treat this as the new date for the next check, they will still only get paid once per year for the property.
- 4.3.12 Upon review of the payments made (see 4.6 below), it was confirmed that a monthly figure is paid which is equivalent to 1/12th of the contract amount (allowing for inflation), with no reference to the individual properties visited within the payment amount.

4.4 **Document Retention & System Updates**

- 4.4.1 Documentation produced following the checks performed is provided and retained electronically with the storage location being migrated to a web-based document management system. Upon receipt of the documentation, the Active H system is updated with the new cyclical testing date.
- 4.4.2 Sample testing was undertaken to ensure that documentation was being received and retained as appropriate and that the system had been accurately updated with regards to the date of the test.
- 4.4.3 The testing identified four minor anomalies and these were rectified during the course of the audit by the CTL. The issues were all of a 'one-off' nature and did not suggest a wider control issue.
- 4.4.4 In terms of document retention, the CM advised that conversations are being held with the Application Support Analyst with regards to storage space and which may impact on future decisions. He also advised that an introductory meeting had been held with the Information Governance Manager with a view to drawing up the departmental document retention policy.
- 4.4.5 The CM also highlighted that, in order to comply with data retention requirements of GSIUR, the certificates would be retained, as Active H is overwritten with the details of the last test performed.
- 4.4.6 During the course of the safety checks, issues are sometimes identified by the contractor that either require immediate rectification to allow for the check to be 'passed' or are things that may need future attention but are not a cause for failing the check. The CM advised that these issues are flagged on the documentation received.
- 4.4.7 As part of the abovementioned testing, various different certificates either had observations recorded or details of works performed. These can generally be placed into four categories:
- Observations as to whether the gas meters were internal or external (which is just for information in case of 'No Access' issues).
 - Issues relating to the absence of 'cooker chains' identified during gas checks with the notes suggesting that the tenants had been advised accordingly.
 - Electrical safety works undertaken during the course of the test.
 - Issues classified as C3 (recommended works but not necessary for check to be 'passed') on the electrical safety checks.
- 4.4.8 Upon discussion with the CM and the CTL it was confirmed that these are not analysed in any way to see if the works should be done or if there are any common themes that need to be taken into account. The CM suggested that part of the issue was that the notes are handwritten on the documents, so there is no electronic data to extract and analyse.

Advisory

Recommended works recorded on EICRs should be reviewed to ascertain if the works are required and whether any common issues are occurring.

4.5 Void Properties

- 4.5.1 The CM advised that an email is sent to the Compliance team the week before the property is to become void, although no works can be undertaken until the keys are handed back in by the (outgoing) tenant. However, he advised that the Tenancy Management team are now trying to ascertain from tenants whether works can be done before they leave (once they have given their notice).
- 4.5.2 As part of the voids process, D&K will cap off the gas with the incoming tenant having to contact them directly to get the gas turned back on and, as part of this `reconnection, the gas certificate is produced. The EICR certification is also part of the void process, with new certificates also being produced.
- 4.5.3 Testing was undertaken on a sample of recent voids to ensure that the gas and electrical safety checks had been performed as appropriate. In all relevant cases (i.e. where new tenancies had started), the tests had been undertaken in a timely manner.
- 4.5.4 Documentation was found to be in place for all gas safety checks and, whilst EICRs were not initially found, these were provided by the CTL during the course of the audit and the system was being updated with details of when these checks had been undertaken.

4.6 Payments to Contractors

- 4.6.1 The payments to both contractors are based on valuations which cover works other than just the safety check certifications and the invoices held on TOTAL are just the overarching invoices and the supporting valuation documents, and these do not show the individual jobs that are being claimed for.
- 4.6.2 The valuations are supported by the information held on Active H, with the valuation `document' on the system covering all of the relevant works orders that had been completed up to a point in time.
- 4.6.3 The gas servicing is covered by one line on the system (Monthly PPP) the same figure each month (subject to inflationary increases – see below), with the only other payments being for works that are outside of the scope of the contract.
- 4.6.4 Sample testing confirmed that the valuations held on TOTAL show that each has been certified, checked and authorised.
- 4.6.5 However, all of the prices paid (schedule of rates amounts for the electrical testing and monthly PPP gas payments) were above the amounts set out in the contract and it was not possible to ascertain whether the payments were

for the correct amounts, as neither the CM or the CTL were aware of any inflationary uplifts that had been agreed prior to them taking up their current roles.

- 4.6.6 The electrical testing rates were roughly 3% higher than those suggested by the schedule of rates included in the contract (subject to rounding) with the gas payments being 12.4% higher (assuming the agreed discounted price shown in the contract was accepted).

Risk

The Council may be paying too much for the services provided.

Recommendation

The prices being charged by the contractors should be reviewed to ensure that they are correct.

- 4.6.7 The CM also queried whether the figure paid to D&K in terms of the monthly PPM was still correct as this was thought to be on a 'price per property' basis and the number of properties would obviously fluctuate due to sales through Right to Buy and acquisitions of new properties.
- 4.6.8 However, it was not possible to ascertain the exact figure (in terms of property numbers) that had been used in the original contract as there seemed to be a number of different figures used (varying between 4749 on the schedule of addresses to 4986 units on the servicing annual fee page) and, therefore, what the price per property would be.
- 4.6.9 It was also not apparent whether the contract allowed for fluctuations in the property figures over the lifetime of the contract.

Risk

The Council may be paying the wrong amount for the services provided.

Recommendation

The scope for varying the contract should be ascertained to take into account fluctuations in the number of properties.

5 Conclusions

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Gas & Electrical Safety Checks are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 A number of issues were, however, identified:

- The electrical contractor is not meeting the contracted frequency of electrical safety check.
- Payments could not be verified to agreed contracted amounts due to a lack of available information in relation to inflationary price increases.
- Gas payments may not reflect current property numbers.

5.4 A further 'issue' was identified where an advisory note has been reported. In this instance, no formal recommendation is thought to be warranted as there is little to no risk if the action is not taken. However, if the changes are made, the existing control framework would be enhanced:

- Recommended works recorded on EICRs should be reviewed to ascertain if the works are required and whether any common issues are occurring.

6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Gas & Electrical Safety Checks – August 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.10	The contractor should be reminded of the terms of the contract, with performance being reviewed accordingly to ensure that this is adhered to.	The terms of the contract and the British Standards recommendations may not be adhered to.	Medium	Compliance Team Leader & Gas Servicing Administrator	This will be raised with the contractor (Dodds) at the next contract meeting.	September 2019
4.6.6	The prices being charged by the contractors should be reviewed to ensure that they are correct.	The Council may be paying too much for the services provided.	Low	Compliance Team Leader & Gas Servicing Administrator	This will be discussed with the contractors at the next contract meetings.	D&K – August 2019 Dodds – September 2019
4.6.9	The scope for varying the contract should be ascertained to take into account fluctuations in the number of properties.	The Council may be paying the wrong amount for the services provided.	Low	Compliance Team Leader & Gas Servicing Administrator	This will be raised with the contractor (D&K) at the next contract meeting.	August 2019

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.