



NOTTINGHAM CITY HOMES

COMPLIANCE REVIEW OF THE GAS SAFETY ARRANGEMENTS

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| Report issued: | April 2010 |
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| Audit Plan: | 2009/10 |
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The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Business Assurance

Compliance Review of the Gas Safety Arrangements

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This compliance review of Gas Safety Checks arrangements was carried out in February 2010 as part of the planned internal audit work for 2009/10.

SUMMARY

2. One Key Risk Control Objective was tested and based on the findings from this work an overall evaluation of the overall compliance with the core internal controls was established. The (C) after the evaluation indicates that the assessment is from the compliance work only and not from a review of the system (figure 1 below).

Figure 1 - Evaluation of the compliance with the Internal Controls

| |
|--------------------------|
| Evaluation |
| Reasonable Assurance (C) |

KEY FINDINGS

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. The prioritisation of the findings are summarised below (figure 2):

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| - | 1 | 2 | - |

MANAGEMENT RESPONSES

4. Recommendations for improvements should be assessed by the Company for their full impact before they are implemented.

RELEASE OF REPORT

5. The table below sets out the history of this report.

| | |
|---------------------------------|--------------------------------|
| Date draft report issued: | 25 th February 2010 |
| Date management responses recd: | 7th April 2010 |
| Date final report issued: | 9th April 2010 |



MANAGEMENT ACTION PLAN
PRIORITY 1, 2 AND 3 RECOMMENDATIONS

| Risk | Finding | Recommendation | Priority | Management Comments | Implementation Timetable | Responsible Officer |
|---|---|--|----------|---|--------------------------|--|
| Checking and filing of gas safety check certificates | A total of thirteen (6%) landlord certificates were found where the date on the certificate differed from that recorded on the system. Also one service date had been entered onto the system as the year 2209. | Recommendation 1: It be ensured that all gas service dates are accurately recorded on the housing management system. | 2 | COMPLETE NCH will ensure that all Landlord certificates are correctly dated and the data base is crossed checked with the system to ensure that the dates correspond. Item has been discussed with all support staff in team brief and will now be monitored during QC monthly office audits. | March 2010 | Steve Cooper Project Manager (Gas) |
| Checking and filing of gas safety check certificates | Four (2%) landlord certificates had not been signed by the tenant. | Recommendation 2: It be ensured that landlord certificates are signed by the tenant. | 3 | COMPLETE NCH will ensure that all tenants sign the landlord certificates. This has been relayed via team meetings with service engineers and maintenance managers. Will be monitored during monthly QC office audit. | March 2010 | Steve Cooper Project Manager (Gas) |
| Independent checks carried out on contractor's gas safety checks. | Only 12 gas servicing quality control checks have been recorded as completed for the months of November 2009 to January 2010 out of 6911 services completed. | Recommendation 3: Targets be set and monitored for the number of gas servicing quality control checks completed by the Gas Quality Control Engineers. | 3 | The Gas quality control section will ensure that frequent checks are undertaken on all services completed each month and recorded on the data base. | End of May 2010 | Paul Ruston Project Manager Decent Homes |

PRIORITY GRADINGS

| | | |
|---|--------|--|
| 1 | URGENT | Fundamental control issue on which action should be taken immediately. |
|---|--------|--|

| | | |
|---|-----------|--|
| 2 | IMPORTANT | Control issue on which action should be taken at the earliest opportunity. |
|---|-----------|--|

| | | |
|---|---------|--|
| 3 | ROUTINE | Control issue on which action should be taken. |
|---|---------|--|



OPERATIONAL EFFECTIVENESS MATTERS

| Item | Management Comments |
|------------------|----------------------------|
| None identified. | N/A |

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of the procedures, rather than on a one-by-one basis

- DETAILED REPORT -

SCOPE AND LIMITATIONS OF THE REVIEW

6. The review tested that the authorised contract monitoring procedures were being complied with. The review also tested the accuracy and completeness of the gas safety checks records held by the Company.
7. The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVE

8. This review identified and tested the controls that are being operated by the Company and an assessment of the combined effectiveness of the controls in mitigating the key control risks is provided. The assessments are:

| | |
|------------------------------|--|
| Substantial Assurance | robust series of internal controls in place which should ensure continuous and effective achievement of the control objective. |
| Reasonable Assurance | reasonable number of internal controls in place, however may not be operated all the time. |
| Limited Assurance | the controls in place are not sufficient to ensure the continuous and effective achievement of the control objective. |
| No Assurance | fundamental breakdown or absence of core internal controls. |

MATERIALITY

9. The budget for gas safety checks for 2009/10 has been set at £3,595,000. Additionally, the failure to comply with the relevant Health and Safety legislation could result in: a loss of life; a prosecution which may result in significant financial penalties; and also significant adverse publicity.

AUDIT FINDINGS

| | |
|-------------------------------|---|
| 10. Risk | Losses arising from unauthorised action by staff. |
| Risk Control Objective | Arrangements in place provide for safeguarding the organisation's assets and interests from avoidable losses. |
| Evaluation | <u>Reasonable Assurance</u> |

11. The following matters were identified in reviewing the Key Risk Control Objective:

Database of properties requiring gas safety checks

- 11.1 The detail of whether a property has a gas supply and appliances is held within the Northgate housing management system. This flag is updated as and when properties are sold under the Right To Buy scheme, disposed of by the Company or when gas appliances are initially installed or are removed. There are currently 25,498 properties held in the system with gas supply.
- 11.2 Letters are sent out to tenants 60 days before the due date of the gas service giving an appointment in the next 10-14 days. If access is not gained on the appointed time a card is left at the property and a Stage 1 letter is sent.

Checking and filing of gas safety check certificates

- 11.3 A review of 127 properties with current gas safety certificates was undertaken to determine whether the current certificate on file had been fully completed including the gas engineers Gas Safe number and the tenant's signature. It was found that, in each case, a current certificate was held on file and the engineer's Gas Safe registration number was recorded on the forms. Five instances were found where the date on the landlord certificate differed from that recorded on the system (by between one and five days) and two had not been signed by the tenant. One service date had been entered onto the system as the year 2209.

Recommendation 1: It be ensured that all gas service dates are accurately recorded on the housing management system.

Recommendation 2: It be ensured that all landlord certificates are signed by the tenant.

Safety checks at the time of change of tenancy.

- 11.4 A review was undertaken of 80 properties where there had been a change of tenant during November 2009. All landlord certificates were present. Five had an incorrect date recorded on the system and the tenant had not signed two. All checked had received a gas safety check around the change of tenancy date. It should be noted that the sample tested was different to that reported in paragraph 11.3 despite producing the same result.

Overdue gas safety checks

- 11.5 A review of all 20 properties where the gas safety check was overdue was undertaken. All of the previous landlord certificates were present; however two had an incorrect date recorded on the system.

11.6 No evidence was seen that opportunities to carry out the gas safety checks have been missed (e.g. property became void or needed works to heating system etc)

| Length of time overdue | Number of Properties |
|----------------------------------|----------------------|
| Overdue by less than 6 months | 20 |
| Overdue by between 6 - 12 months | - |
| Overdue by more than 12 months | - |

Action by the Company to gain access

11.7 A No Access flow chart is followed from the point that the gas service is not completed at the first appointment. This includes letters being sent by post and delivered by hand. If access is not gained within 28 days of the first no-access visit, the property address and tenant details are passed to the Litigation Team at Nottingham City Council who will serve notice after a further 7 days and eventually proceed to court to obtain an injunction to gain access.

Reporting on gas safety checks

11.8 Performance indicators are produced monthly and reported to the Departmental Management Team showing the number of properties which are either in possession of a valid annual gas servicing certificate or are capped, and the number of gas servicing appointments made and kept.

Independent checks carried out on contractors' gas safety checks

11.9 Independent checks are being completed by the two Gas Quality Control Engineers to establish that the safety checks and repairs are being carried out to standard. A monthly log is maintained of the quality checks completed on services, repairs and installations. For the three months from November 2009 to January 2010, only 12 gas servicing quality checks have been recorded as completed. This represents approximately 0.2% of the gas services completed.

Recommendation 3: Targets be set and monitored for the number of gas servicing quality control checks completed by the Gas Quality Control Engineers.
