

REPORT TO: Audit and Governance Committee

MEETING DATE: 26 September 2017

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Gas Servicing and Maintenance

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Gas Servicing and Maintenance.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the internal controls surrounding Gas Servicing and Maintenance was undertaken as part of the Audit Plan for 2016/17.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	14 September 2017

EAST LOTHIAN COUNCIL – INTERNAL AUDIT GAS SERVICING AND MAINTENANCE

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2016/17, a review was undertaken of Gas Servicing and Maintenance. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that the Council meets its responsibilities in relation to gas safety.
- For the sample of domestic properties reviewed, we found that annual gas servicing had been carried out within the specified timescales.
- Appropriate documentation is held for all properties that have been subject to a gas safety check.
- Contracts are in place for the annual gas servicing of both domestic and non-domestic Council properties.

1.3 Areas with Scope for Improvement

- Information recorded on the Council's Contracts Register for gas servicing and maintenance was inaccurate and incomplete – for the non-domestic properties contract, both the supplier and the contract start date were incorrect. For the domestic properties contract, there had been a failure to include the optional extension date. *Risk – information held may be inaccurate.*
- In one case, work awarded to a contractor was not in accordance with the Council's Corporate Procurement Procedures – there was a lack of contract documentation in place clearly outlining the service specification, terms and conditions and contract rates. *Risk – failure to comply with Council procedures.*
- There was a lack of evidence to confirm that the total number of domestic properties charged in the contractor's invoice reconciled to the records held by the Council. *Risk – errors and omissions may occur and remain undetected.*
- There was a lack of a clear audit trail of rates negotiated with existing contractors – in some cases, rates had been based on verbal discussions. *Risk – difficulties may arise in resolving disputes with contractors.*
- In some cases, there had been a failure by the contractor to provide a detailed breakdown of the costs charged for non-contract work. *Risk – inappropriate payments may be made.*

1.4 Summary

Our review of Gas Servicing and Maintenance identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2017

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
GAS SERVICING & MAINTENANCE**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the Council's Corporate Procurement Procedures are complied with in the awarding of all work to contractors – contract documentation should be in place clearly outlining the service specification, terms and conditions and contract rates.	High	Service Manager – Engineering Services & Building Standards	Agreed – will look to appoint QA contract under the Framework within the next three months		December 2017
3.1.2	Management should ensure that information recorded on the Contracts Register is accurate and complete.	Medium	Service Manager – Legal and Procurement	Agreed		October 2017
3.1.3	Management should ensure that additional work awarded to existing contractors is awarded either at the contract rates or via 'Quick Quote' in accordance with the Council's Corporate Procurement Procedures.	Medium	Service Manager – Engineering Services & Building Standards	Agreed – all works to be awarded at contract rates		September 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	<p>Management should ensure that the pricing schedule, which forms part of the tender, includes all properties for which servicing is required.</p> <p>Management should ensure that a clear audit trail exists to support the cost of materials included in invoices.</p> <p>Management should ensure that a clear audit trail exists for changes to contract rates that have been agreed with the contractor.</p>	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017
3.2.2	Management should ensure that regular reconciliations are undertaken between the total number of domestic properties charged in the contractor's invoice and the records held by the Council.	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017
3.3.1	For non-domestic properties, Management should ensure that gas servicing is undertaken within the required timescales.	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	For all non-contract work undertaken, Management should ensure that the invoices submitted by the contractor provide a full breakdown of costs being charged.	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017
3.5.1	Management should ensure that adequate evidence is held to support reconciliations undertaken between the contractor's record of properties requiring gas servicing and the Council's records.	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017
3.6.1	Management should review the current arrangements in place for recharging work undertaken on non-Council properties.	Medium	Service Manager – Engineering Services & Building Standards	Agreed		September 2017

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.