



KARBON HOMES GROUP

Regulatory Compliance: Fire Safety

Revised Draft Internal Audit Report 4.24/25

12 November 2024

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AUDIT OUTCOME OVERVIEW

In line with our scope, included at Appendix C, the overview of our findings is detailed below.

Conclusion: Our audit has established that the Karbon Homes and 54North Homes have a well designed and effective control framework in place to manage fire safety compliance requirements across their stock. Testing of 40 properties across both organisations included on the fire safety programme confirmed that in date fire risk assessments were in place, with remedial actions logged on the C365 system as required. In addition, we confirmed that continuous fire safety checks are carried out within applicable properties.

We have identified some areas for further enhancement, resulting in **one medium**, **three low**, and **two suggestions** being raised for management. Two of the low priority actions were raised for Karbon Homes, relating to the consistency of evidence retained for remedial action completion and an identified error upload for one certificate, which the Asset Team informed us a mitigating control is being put in place to address. The remaining actions raised related to 54North Homes, with the medium priority action raised regarding the accuracy of C365 system dates for fire risk assessments. We have also reiterated one action raised as part of the RSM Regulatory Compliance (54North Homes) audit (report reference 4.23/24) in relation to a backlog of fire safety remedial actions. Whilst we have acknowledged management has reduced the number of actions, our testing did identify that remedial actions are not being completed in a timely manner due to resource constraints, which could cause a significant risk if health and safety issues are not addressed. It should be noted that c1,100 actions were inherited following the YHA merger and through the FRA inspection regime new actions are identified as part of this process. The Director of Asset and Growth confirmed additional resource has been brought into the team to reduce the backlog and now have in place a full complement of housing officers to support the team with access challenges.

We have provided two separate opinions for Karbon Homes and 54North Homes as reflected in the graphics below.

Internal
Audit
Opinion:

The following internal audit opinion has been provided for Karbon Homes:



Minimal Assurance



Partial Assurance



Reasonable Assurance



Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Headline
Findings:

Karbon Homes

- The fire risk assessment programme is effectively managed through the C365 system, as confirmed by a sample of 20 fire risk assessments. Remedial actions are being logged and addressed in a timely manner through the C365 system.

- We established the Asset Team have robust processes in place to maintain the accuracy of asset data through the data quality scorecard and the Property Change Management Protocol.
- Storm Tempest provides weekly no access updates where they have been unable to gain access to properties to complete fire risk assessments and actions are taken to address no access occurrences.
- Fire safety awareness training is delivered to all staff through the learning management system and completed every two years. The Group also provides fire warden training and has recently enrolled several colleagues on NEBOSH training courses.
- Regular performance reporting on the completion of fire risk assessments and remedial actions is carried out through the operational and compliance scorecards, and further reporting into the Group Customer Committee and the Group Development Committee.

Internal Audit Opinion:

The following internal audit opinion has been provided for 54North Homes:



Minimal
Assurance



Partial
Assurance



Reasonable
Assurance



Substantial
Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).

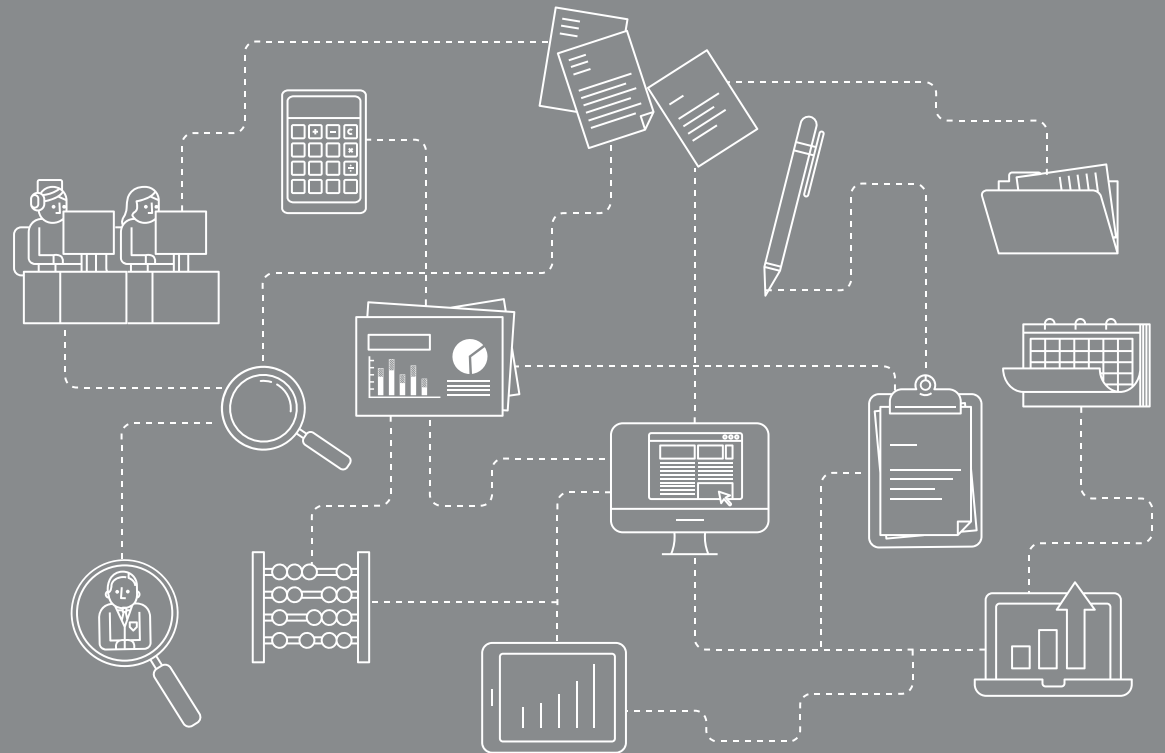
Headline Findings:

54North Homes

- Testing a sample of 20 properties included on the fire risk assessment programme confirmed all assessments were on file and in date in line with review requirements. All actions sampled had been logged on the C365 system or previously recorded on the previous spreadsheet used prior to the C365 system migration.
- Regular fire safety checks are carried out with certification retained on file. The Compliance Team is in the process of transferring the flat fire door checks onto electronic forms to support effective audit trail.
- The Compliance Team meet on a weekly basis to discuss all compliance areas, including any instances of no access reports and any outstanding actions. The Compliance Team has worked to reduce the backlog of outstanding actions, focusing on those with high and medium priorities. A Microsoft Planner process has been implemented to effectively manage reports of no access across all compliance areas between the Compliance Team and Housing Team.
- Regular performance reporting is carried out on the compliance scorecards, which feed into the Health and Safety Compliance Group. Quarterly health and safety reporting is also in place to the 54North Homes Board.

Summary of Actions for Management

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SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as*:

High

Immediate management attention is necessary.

Medium

Timely management attention is necessary.

Low

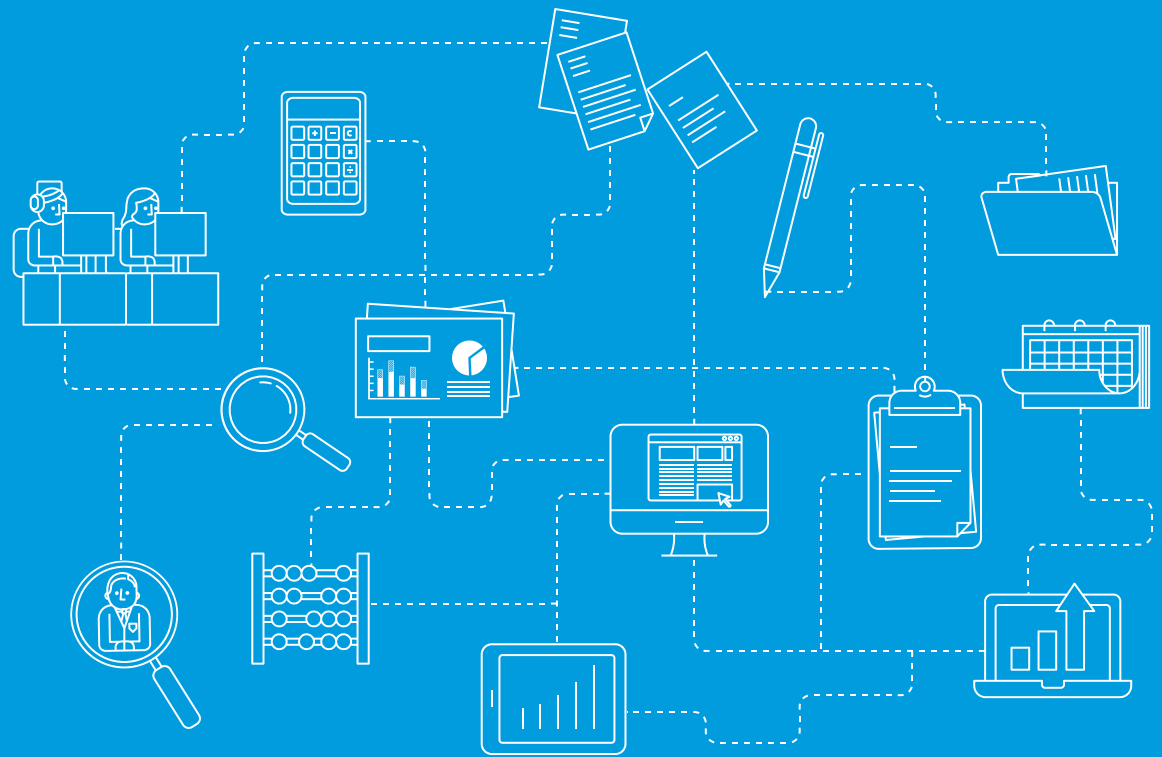
There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
MA1	54North Homes The 54North Homes Fire Safety Policy will be reviewed and considered by the 54North Homes Executive Leadership Team. The policy document will be updated with the correct version control.	Low	(Director of Assets and Growth)	31 March 2025
S1	54North Homes 54North Homes should consider retaining contractor certification for the life of fire risk assessments.	Suggestion	N/A	N/A
MA2	Karbon Homes Karbon Homes will work with C365 to implement a process to manage failed upload and ensure timely rectification.	Low	(Head of Asset Management)	31 March 2025
MA3	54North Homes The 54North Homes Compliance Team will review the discrepancies identified and ensure records are updated to reconcile with fire risk assessment and review requirements. Management will implement checking mechanisms focusing on data quality for fire safety compliance, e.g. dip sampling.	Medium	(Facilities and Compliance Manager)	31 March 2025
MA4	Karbon Homes The Group will review how it assures itself on the completion of fire safety actions and will review processes with the purpose of ensuring evidence is available to confirm completion of fire safety actions.	Low	Building and Customer Safety)	31 March 2025
S1	54North Homes 54North Homes should consider saving down evidence to support the production of scorecard data.	Suggestion	N/A	N/A

* Refer to Appendix B for more detail

Appendices

03



APPENDIX A: FOLLOW UP OF PREVIOUS ACTIONS

As agreed within the scope of this audit, we have followed up on the seven medium priority management actions raised as part of the Regulatory Compliance (54North Homes) audit carried out in 2023/24 (report reference 4.23/24).

Management has reported five of these management actions as ongoing and extensions have been requested for the remaining two actions. We have considered the actions reported as closed as part of this audit and in all five cases, we have obtained evidence to confirm actions have been fully implemented. Details of the five implemented and two ongoing actions have been outlined in the table below.

Management Action	Status as per audit findings
54North Homes will address the backlog of overdue FRA actions as reported to the 54North Homes Board. Once all overdue actions have been addressed, a sample of actions will be considered as part of the RSM follow up reviews to provide assurance that the selected actions have been completed and there is suitable evidence to confirm this on file. Priority: Medium	Ongoing Management has not yet reported this action as closed due to outstanding and overdue FRA actions. Since the audit, management has made progress to address the backlog of actions; however, the original action has been reiterated earlier in this report due to discrepancies identified in our testing of remedial actions.
54North Homes will ensure all properties have a management survey in place. Priority: Medium	Ongoing Management informed us they were still in the process of implementing this action and some management surveys are still outstanding. This action has not yet been reported as closed.
54North Homes will ensure contractors are instructed to complete surveys in a timely manner to prevent any properties going out of compliance. (Finding relating to asbestos). Priority: Medium	Implemented The Compliance and Property Support Manager informed us that the asbestos programme is now delivered under one contractor and fully set up on the C365 system. To enable a smooth and efficient programme, properties are issued to the contractor at the start of the financial year, with the required due dates for completion outlined. We have obtained evidence of this process and review of C365 data confirmed that the communal asbestos programme is 100 per cent compliant. Through review of evidence supplied, we have confirmed this management action has been fully implemented. .
54North Homes will reintroduce regular meetings to discuss progress on actions recorded in C365 to ensure any delays are appropriately identified, clearly recorded, and reduced. This finding was identified during testing of asbestos, lifts, and legionella. Priority: Medium	Implemented The Compliance Team has reintroduced weekly compliance meetings, which are used to facilitate discussions across all compliance areas. We confirmed through review of calendar entries that these are occurring on a weekly basis. The purpose of the meetings is to review work required in each area, such as, assessments, remedial works or no access actions, and ensure timely action can be taken. We have evidenced these meetings working effectively throughout the course of this audit, for example, through

Management Action	Status as per audit findings
54North Homes will work with contractors to ensure certificates are received in a timely manner, and raise any instances where certificates have not been received in a timely manner as part of performance review. (Finding relating to legionella). Priority: Medium	review of the Microsoft Planner for no access. Based on our testing carried out, we can confirm that this management action has been fully implemented. Implemented The Compliance and Property Support Manager outlined that 54North Homes have merged the contract for legionella into one contract (rather than having two contracts in place previously for former YHA and former LYHA). This has meant that the process has been far easier to manage, ensuring that assessments are completed as required and the team is currently at 100 per cent for water hygiene risk assessments in domestic properties. The process has changed since the previous audit in that the contractor is required to submit the certificate through the system, meaning timeliness issues are now not occurring as a property would fall out of compliance if the certificate has not been received. These are still subject to internal checks, but it means that timing issues are not currently happening. The report from C365 pulls through showing compliance status only once a certificate is received, meaning the 100 per cent confirms all certificates are available. We sample tested five properties on the legionella programme and confirmed that certificates are available on file. Through testing and review of evidence, we can confirm this action is fully implemented.
As identified as part of the former YHA testing, legionella re-inspections will be completed in line with contractor recommendations. Priority: Medium	Implemented In line with the transition to C365, review dates have been fully reviewed to ensure these are accurately set. Testing of the five certificates sampled confirmed that the review dates set in the system were accurate against the recommendations listed within the inspections. All reviews have been completed in line with review recommendations based on C365 system data. Review of the evidence provided confirmed that this action has been fully implemented.
54North Homes will ensure that lift inspections and services are undertaken in line with the programme, and the system accurately reflects the previous and next inspection date in line with the report. Priority: Medium	Implemented The lift programme is currently at 100 per cent compliance on the C365 system and we obtained a data download, confirming all inspection dates had been set at the correct intervals. In addition, we obtained the last inspections carried out for a sample of four lifts and confirmed that system data reconciled to the certificates provided. Based on evidence reviewed as part of the audit, we confirmed that the action has been fully implemented.

APPENDIX B: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Low

There is scope for enhancing control or improving efficiency.

Medium

Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.

High

Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*	Non-compliance with controls*	Agreed actions			
			Low	Medium	High	Suggestion
Risk 4.1a: Health and Safety Compliance - Property-related and other external compliance.	0 (16)	3** (16)	3	1	0	2
		Total	3	1	0	2

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

** More than one action has been raised against one control.

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risk:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
To determine whether the Group has effective processes and systems in place to manage its responsibilities for applicable properties in respect of fire risk assessments.	Risk 4.1a: Health and Safety Compliance - Property-related and other external compliance.	Strategic risk register
	Sector Risk Profile 2023: Health and Safety	Sector Risk Profile

When planning the audit, the following were agreed:

Areas for consideration:

- Policies and procedures are in place covering fire safety. These are subject to regular review, appropriately authorised and available to staff.
- There is a suitable and proportionate fire safety management plan in place, which is up to date and subject to regular review, and outlines how the Group will manage fire safety risks across its stock.
- Key roles and responsibilities for the management of fire safety have been clearly outlined and communicated.
- Fire safety awareness training is delivered to staff.
- How the Group ensures that contractors undertaking fire risk assessments are competent to do so, and there is suitable evidence to confirm this on file.
- Mechanisms in place for tenants to report concerns around fire safety to the Group, and how the Group makes tenants aware of fire safety risks and mitigations.
- The asset database is kept up to date with accurate property classifications, and properties not included on the fire risk assessment programme are subject to regular monitoring to ensure these remain appropriate.
- How any changes to properties or new additions to the asset database are assessed to determine fire safety requirements.
- Fire risk assessments have been carried out on applicable properties in line with risk level review requirements and renewal requirements, and there is clear record of this.
- The fire safety register (or equivalent system) is kept up to date, and new information is accurately input.
- Any remedial actions or follow on work identified within fire risk assessments are prioritised, assigned a target completion date, and programme / completed in accordance with assigned dates.

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- Remedial actions are completed in a timely manner, with clear evidence recorded on the system to support completion.
 - Emergency response plans relating to a fire incident are in place, are periodically reviewed and monitored.
 - Processes are in place where the Group is unable to gain access to a dwelling to undertake a fire risk assessment.
 - How any continuous inspections or specific fire safety checks (e.g. fire doors or alarms testing) required at applicable properties are monitored for completion, recorded and reviewed.
 - Appropriate performance management measures are in place to assess the effectiveness of the fire safety policy and procedures.
 - Reporting is undertaken to senior management and the Board to ensure they are made aware of the current fire safety risks and actions / remedial work.
 - We will consider how data is used to produce the tenant satisfaction measure (TSM) for fire safety checks and whether results produced are subject to adequate checking mechanisms.
 - We will also review the progress made to implement the medium priority management actions raised as part of the Regulatory Compliance (54North Homes) review (4.23/24).

Limitations to the scope of the audit assignment:

- Testing will be completed on a sample basis only and this review is limited to key control testing to confirm the application of controls in key areas as detailed above.
- The scope of the work is limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- We will not visit any buildings to physically verify the details included within the Group's asset register and fire safety records, and we will not inspect buildings to determine whether fire safety risk is being adequately managed.
- We will not provide assurance that any properties considered in our sampling are safe.
- Our audit does not provide any assurance with regards to compliance with health and safety legislation and other HSE requirements, and does not replicate the advice provided by health and safety consultants.
- The audit does not replace the requirement for any external / independent inspections required by law.
- We will not comment on whether the procedures incorporate the most up to date legislation, only that processes exist to identify and incorporate any changes.
- We will not comment on the appropriateness of actions undertaken regarding non-compliance, only that they were identified and reported.
- We will not review fire risk assessments for accuracy or adequacy, and we will not provide assurance that all required remedial actions have been identified.
- We will not provide assurance that building records are complete or re-perform any reconciliations of the records held.
- We will not comment on the suitability of any evacuation arrangements.
- We will not comment on the suitability or competency of any contractors.
- We will not comment on the content of any fire safety training delivered.

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- Our review will not seek to ensure or guarantee that the Group is in compliance with all applicable legislation in respect of fire safety.
 - We will review how the Group produces and checks the information supplied as part of the TSM reporting. We will not consider the full TSM framework nor will we comment on the accuracy or methodology to produce TSM requirements.
 - The results of our work are reliant on the quality and completeness of the information provided to us.
 - Our work will not provide an absolute assurance that material errors, loss or fraud do not exist.

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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