



Meeting: Harbour Committee

Date: 23rd June 2014

Wards Affected: All wards in Torbay

Report Title: Tor Bay Harbour Authority Audit Plan – 2013~2018

Executive Lead Contact Details: Non-Executive Function

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1. Purpose

- 1.1 Tor Bay Harbour Authority is a function of Torbay Council and all local authorities and other relevant bodies are subject to the Local Government Act 1972 Section 151, the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011 which require that the Authority make provision for Internal Audit. Consequently the Council must maintain an adequate and effective system of Internal Audit of its accounting records and of its system of Internal Control in accordance with the proper practices in relation to internal control.
- 1.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organisation's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes.
- 1.3 The key objective of the Audit Plan is to deliver a framework of audit tasks that will provide the Harbour Committee with the assurances outlined in 1.2 above. By adopting a risk based, systematic approach to internal auditing the Harbour Committee will be able to assist the Tor Bay Harbour Authority business unit to meet the overall objectives of the service. Furthermore it will also provide assurance to Torbay Council that the strategic management of Tor Bay Harbour, undertaken by the Harbour Committee, meets their aspirations for their harbour authority function.
- 1.4 The Tor Bay Harbour Audit Plan attached as Appendix 1 has been prepared with the help of the Devon Audit Partnership using a risk based approach and priority

assessment including consultation at both strategic and operational levels to ensure that the content of the plan is aligned to the Harbour Authority's needs, goals and objectives and satisfies the statutory assurance requirements. The number of Audit Days for each audit entity will vary depending on risk, available resources and previous audit reports.

- 1.5 Internal auditors are not responsible for the execution of harbour authority activities but through a robust Audit Plan they can provide advice to harbour management and the Harbour Committee about how to better execute their responsibilities. As part of its governance role the Harbour Committee will receive a copy or executive summary of all internal audit reports relating to Tor Bay Harbour.

2. **Proposed Decision**

- 2.1 **That the Committee consider and agree in principle the amended Tor Bay Harbour Audit Plan for 2013~2018 shown in Appendix 1.**

3. **Action Needed**

- 3.1 The Executive Head of Tor Bay Harbour Authority needs to ensure that the agreed Audit Plan is implemented.

4. **Summary**

- 4.1 To inform the Harbour Committee of the arrangements and work plan for the Audit of the Tor Bay Harbour Authority business unit between 2013 and 2018.
- 4.2 To ensure key issues are communicated to and actioned by the Committee to ensure risks are managed and the Internal Control Framework is sound.
- 4.3 To ask the Committee to endorse the outline Audit Plan for 2013~2018 and advise of any areas of concern they feel would benefit from Audit input.
- 4.4 The Devon Audit Partnership will undertake the majority of the audits and their work will be in accordance with the guidelines set down in the Public Sector Internal Audit Standards. Audits are planned and performed so as to obtain all the information and explanations considered necessary to gain assurance as to the level of control within the business unit. Audit findings and recommendations are however based on restricted samples of transactions / records and discussions with relevant officers.

Supporting Information

5. **Position**

- 5.1 The Council's Audit Committee deals with the local authority's corporate responsibility under the Accounts and Audit Regulations 2003 (as amended) and the Accounts and Audit Regulations 2006 and 2011 to include in their annual statement of accounts an Annual Governance Statement. This Statement also requires an annual review of the Internal Control Environment and an annual review of Internal Audit. The statement is wide ranging and includes an assessment

of risks, Corporate Governance and the delivery of the Council's functions. Internal Audit work forms an element of the evidence required but it is the management of the organisation that is responsible for the internal control framework and for providing the assurance required.

- 5.2 As part of Torbay's commissioning model, Internal Audit provision is commissioned from Devon Audit Partnership. The Partnership is a shared service between Torbay, Plymouth and Devon County Councils which delivers Internal Audit services to the partner authorities and it replaced the previous three separate internal audit sections with effect from 1 April 2009.
- 5.3 On 22nd June 2009 the Harbour Committee received report number 147/2009 which provided detailed results of the Internal Audit Report of the Harbour and Marine Services business unit concluded in May 2009. The key objective of the 2009 audit was to provide assurance to the Council's Audit Committee that the strategic management of Tor Bay Harbour, undertaken by the Harbour Committee and delivered by the Harbour & Marine Services business unit (now the Tor Bay Harbour Authority business unit), met the overall objectives of the service. However, at the time it was considered entirely appropriate that the Harbour Committee should also receive and note the Internal Audit of the Harbour & Marine Services business unit.
- 5.4 In 2009 it was the Audit Report's opinion that the administrative, financial and risk management systems and controls within the Harbour Authority were generally well managed. The 2009 Audit Report did not find any area requiring urgent improvements in controls or in the application of controls and none of the recommendations were considered as being an immediate or high priority. The Council was found to be meeting its legal responsibilities and obligations as a Harbour Authority.
- 5.5 The scope and content of the May 2009 Audit Report was of necessity wide ranging and this led the Executive Head of Tor Bay Harbour Authority to consider a more systematic and targeted approach to future internal audits. In June 2011 the Harbour Committee approved the first formal Audit Plan specifically for Tor Bay Harbour Authority and that plan is now reviewed by the Committee in June each year.
- 5.6 As part of the previous Audit Plan an Audit Report of the Harbour Authority's IT System, Administration & Security was concluded in September 2012 and an overview of the results was presented to the Harbour Committee in March 2013. In April 2014 an audit of the Harbour Authority's management of assets was concluded and the Audit Report is pending.
- 5.7 The audit plan for 2013~18 (Appendix 1) has been prepared and identified, with the help of Devon Audit Partnership, by :-
 - Adopting a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole of the business unit using a number of factors/criteria e.g. materiality, control environment, sensitivity, time since last review etc. The final score, or risk factor for each area, together with a priority ranking, then determines a schedule of priorities for audit attention.

- Discussions and liaison with Devon Audit Partnership and harbour staff regarding the risks which threaten the achievement of the service objectives, including the introduction of new systems and corporate initiatives.
 - Taking into account results of previous internal audit reviews.
 - Taking into account Internal Audit's knowledge and experience of the risks facing the Harbour Authority.
 - Consideration of risks identified in the Harbour Authority's strategic and operational risk registers.
- 5.8 The audit plan is matched to available resources and should be delivered within the budget available.
- 5.9 Resource implications are related to staff time both within the service and within departments who may be required to make officers available to answer audit queries and provide information in respect of any audit review or investigation. The Port Marine Safety Code compliance audit requires the procurement of an external "Designated Person".
- 5.10 Members and employees, in their roles and responsibilities, are asked to be vigilant in preventing and detecting fraud, corruption and irregularity. In addition, Members and employees have a responsibility to lead by example in ensuring adherence to legal requirements, Standing Orders, Financial Regulations and all procedures and policies including both Members and Officers Codes of Conduct.
- 5.11 The Devon Audit Partnership has due regard for section 17 of the Crime and Disorder Act 1998, ensuring that they consider crime and disorder reduction and community safety in the exercise of all of their duties and activities. Part of their role includes being one of the major contacts within the Council's Fraud & Corruption and Whistle-blowing Policies that detail how potential irregularities and frauds will be investigated and reported.
- 6. Possibilities and Options**
- 6.1 The issues raised in this report are predominantly for information and as such there is no requirement to consider alternative options.
- 6.2 There is a statutory requirement for a continual internal audit of the Council's processes and internal controls. Whilst there are options surrounding the risk assessments, those being used are the accepted approaches for this style of risk assessment and may vary from those which are applied to the Council's services generally but in certain cases there are no alternative options if the Council is to meet external requirements.
- 6.3 Internal Audit reports provide one element of assurance to the Harbour Committee but the Tor Bay Harbour Authority management team provide another source of assurance and should provide evidence to support the view that Internal Controls and wider corporate governance are adequate. External reviews provide another source of assurance.

7. Preferred Solution/Option

7.1 That the Committee agrees in principle to the amended Tor Bay Harbour Audit Plan for 2013~2018 shown in Appendix 1.

8. Consultation

8.1 The draft audit plan has been subject to consultation with the Executive Head of Tor Bay Harbour Authority and the business unit's management team.

9. Risks

9.1 The report is predominantly for information and therefore there are no risks associated with the recommendations.

9.2 The adoption of a clear Harbour Authority Audit Plan will enhance the Council's reputation for transparency and accountability in respect of its delivery of its harbour authority function. It also reflects best practice.

9.3 Although the plan has been matched to available resources, if those resources are stretched or unavailable there remains a risk that audit reviews could slip thereby increasing the future risk to the Harbour Authority. Such situations will be managed within the overall audit resources available to the Devon Audit Partnership with audit resources being moved between client Councils to better manage the risk and to address the issue identified. Conversely the impact of such an event on the other client Councils could necessitate resources being moved away from Torbay but it is hoped that allowing a contingency will help to manage this.

9.4 It should be recognised that ultimately it is the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. It does not matter how good the systems of internal control are, it is not possible to guarantee that a fraud will not occur, although it is hoped any irregularity would be quickly identified and resolved. However, the work undertaken by Internal Audit should give the business unit, and the Harbour Committee, assurance that with the testing undertaken, no fraud was found and that all systems were operating effectively within the limitations reported at the time. Only by constant appliance of the Council's Standing Orders, Financial Regulations and operating instructions can this risk be fully minimised.

Appendices

Appendix 1 Tor Bay Harbour Authority Audit Plan – 2013~2018

Additional Information

The following documents/files were used to compile this report:

Report 147/2009 Harbour and Marine Services Internal Audit Report - May 2009

Report 90/2010 Torbay Council's Internal Audit Plan 2010/11

Report June/2013 Tor Bay Harbour Authority Audit Plan – 2011~2017