



**Meeting: Harbour Committee**

**Date: 22<sup>nd</sup> September 2014**

**Wards Affected: All wards in Torbay**

**Report Title: Internal Audit Report – Asset Management**

**Executive Lead Contact Details: Non-Executive Function**

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## **1. Purpose**

- 1.1 This report provides Members with an overview of the results of the Internal Audit Report undertaken for Tor Bay Harbour Authority on Asset Management, which was concluded in March 2014.
- 1.2 It is entirely appropriate that the Harbour Committee also receives and notes the main findings of the Internal Audit of the Harbour Authority's Asset Management function as shown in the Executive Summary - Appendix 1.

## **2. Summary**

- 2.1 A 5 year rolling audit plan was taken to the Harbour Committee and approved in June 2011 separating the various operation and strategic elements of the harbour operation into distinct audit areas; this audit is the third audit from the rolling plan and focuses on asset management.
- 2.2 The audit scope had previously been agreed for 2013/14, as taken to Harbour Committee in June 2013; hence this audit focussed on asset management and its associated controls. The audit was undertaken based on the following key risk areas bulleted below using previous audit work, input from Harbour staff and Internal Audit's view on risk within the function:
  - Regulatory and procedural requirements not met;
  - Assets not managed and related asset financial data is not reliable.
- 2.3 The opinions and recommendations contained within the Internal Audit report are based on an examination of restricted samples of transactions / records and discussions with officers responsible for the processes reviewed.

- 2.4 It is the Audit Report's opinion that improvements are required. The opinion states that there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made within the Report to ensure that organisational objectives are not put at risk.
- 2.5 The findings and recommendations in relation to each of the areas are discussed in the "Detailed Audit Observations and Action Plan" which forms an Appendix to the full report. This Appendix records the action plan agreed by the Executive Head of Tor Bay Harbour Authority to enhance the internal control framework and mitigate identified risks where agreed. The Tor Bay Harbour Authority business unit have already agreed the action plan with the Devon Audit Partnership.
- 2.6 The "Detailed Audit Observations and Action Plan" referred to in 2.5 above has been marked RESTRICTED and therefore does not form part of this report because it contains information or data or documents that should only be shared between a specific group of work staff who have to demonstrate a need to know, because of the sensitive content.

## Supporting Information

### 3. Position

- 3.1 The following table summarises the assurance opinions given on each of the risks covered during the audit.

Risks Covered		Level of Assurance
1	Regulatory and procedural requirements not met	High Standard
2	Assets not managed, and related asset financial data is not reliable	Improvements Required

- 3.2 Assurance opinion levels are defined as follows :-

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

Assurance	Definition
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

3.3 The recommendations are categorised as follows :-

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

- 3.4 The full report contains 14 recommendations of which 2 are 'High', 10 are 'Medium' and 2 are 'Low'. Some of the agreed actions identified within the Report's Action Plan have already been implemented or are in the process of being implemented. All of the 'High' priority actions will have been taken by the end of September 2014. The Executive Head of Tor Bay Harbour Authority has already commenced regular monthly update meetings with officers from the Torbay Development Agency who provide assistance and advice in the management of Harbour Authority controlled assets. A meeting has also been scheduled to explore possible software amendments to the Torbay Online Asset Database System (TOADS).

## **Appendices**

Appendix 1                      Devon Audit Partnership Internal Audit Report – Tor Bay Harbour Authority ~ Asset Management (March 2014) – Executive Summary

## **Additional Information**

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

Devon Audit Partnership Internal Audit Report – Tor Bay Harbour Authority ~ Asset Management (March 2014) RESTRICTED