



Public Agenda Item: **Yes**

Title: **Tor Bay Harbour Authority Income - Internal Audit Report – November 2011**

Wards Affected: **All Wards in Torbay**

To: **Harbour Committee** On: **8 March 2012**

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1. Key points and Summary

1.1 This report provides Members with an overview of the results of the Internal Audit Report of Tor Bay Harbour Authority Income concluded in November 2011.

2. Introduction

2.1 The audit scope had previously been agreed for 2011/12, as taken to the Harbour Committee in June 2011; hence the audit focussed on harbour income and its associated controls. The audit was undertaken based on the following key risk areas bulleted below using previous audit work and input from Harbour staff to ensure that the programme was relevant to the Tor Bay Harbour Authority business unit.

- Loss of Income
- Income data is not reliable and complete
- Income not maximised

2.2 It is entirely appropriate that the Harbour Committee also receives and notes the main findings of the Internal Audit of the Tor Bay Harbour Authority Income as shown in the Executive Summary - Appendix 1.

2.3 The opinions and recommendations contained within the Internal Audit report are based on the examination of restricted samples of transactions / records and on discussions with the officers responsible for the processes reviewed.

2.5 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 to ensure that organisational objectives are not put at risk.

- 2.6 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.
- 2.7 The "Detailed Audit Observations and Action Plan" referred to in 2.6 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.
- 2.8 The table below summarises the assurance opinion on specific sections.

Risk Covered	Level of Assurance
Loss of income	Improvements Required
Income data is not reliable and complete	Improvements Required
Income not maximised	Good Standard

- 2.9 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.
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.

Assurance	Definition
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.

2.10 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.

2.11 The full report contains 58 recommendations of which 5 are 'High', 49 are 'Medium' and 4 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 April 2012 except one recommendation which was not agreed. This particular risk was accepted by the Executive Head of Tor Bay Harbour Authority because it could not be implemented due to the small size of the administration teams and alternative measures already existed to considerably mitigate the risk.

- 2.12 The Internal Audit Report did not identify any fundamental weaknesses.
- 2.13 However, 'Improvements are required' in respect of the risks associated with the potential loss of income and income data not being reliable or complete. Whereas, on the matter of income not being maximised the Audit Report found that the systems and controls generally mitigate the risk and a 'Good Standard' assurance was issued.

Kevin Mowat
Executive Head of Tor Bay Harbour Authority
Tor Bay Harbour Master

Appendices

Appendix 1 Devon Audit Partnership Internal Audit Report – Tor Bay Harbour Authority ~ Income (November 2011) – Executive Summary

Documents available in members' rooms

Not applicable.

Background Papers:

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

Devon Audit Partnership Internal Audit Report – Tor Bay Harbour Authority ~ Income (November 2011) RESTRICTED