



Internal Audit Report

Torbay Council

Environment

Tor Bay Harbour Authority – Income

November 2011

Restricted

Devon Audit Partnership

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Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within Torbay Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

1 Introduction

Torbay Council as a Harbour Authority operates and manages three enclosed harbours within the statutory harbour of Tor Bay. The statutory responsibilities of a Harbour Authority are numerous and include the provision of moorings and storage for various types of vessels.

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 first audit from the rolling plan and focuses on Income (refer to section 6, Scope and Objectives).

2 Audit Opinion

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.

3 Executive Summary

The Harbour Authority are active in effectively determining and setting harbour charges to maximise income whilst demonstrating their commitment to the harbour users through active consultation. Vacancies are managed however it was found that there are inconsistencies in practices between the three offices and opportunities for improvement in existing vacancy management arrangements and in the recharging of services to customers.

Accounts, invoices and transactions relating to income including fish tolls are accurately processed and reconciled. Specific areas for improvement in relation to income processing, reconciliation and recovery are identified within this report. The size and split location of the team have prevented adequate separation of duties in the income related activities and recommendations have been made to provide mitigating controls and reduce the risks.

The income position and the performance against income targets are regularly and accurately reported to the Harbour Committee; the inclusion of additional targets relating to income and details of debt recovery position and debt write off would provide a fuller picture in relation to all income streams.

The detailed findings and recommendations regarding these issues and less important matters are described in the Appendices. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories the assurance opinion ratings are also given in the Appendices to this report.

4 Assurance Opinion on Specific Sections

The following table summarises our assurance opinions on each of the risks covered during the audit. These combine to provide the overall assurance opinion at Section 2. Definitions of the assurance opinion ratings can be found in the Appendices.

Risks Covered		Level of Assurance
1	Loss of income	Improvements Required
2	Income data is not reliable and complete	Improvements Required
3	Income not maximised	Good Standard

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed. Management are required to agree an action plan, ideally within three weeks of receiving the draft internal audit report. Written responses should be returned to Lyn Phillips or Lynda Sharp-Woods. Alternatively a meeting to discuss the report and agree the action plan should be arranged with the named auditors.

5 Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

In terms of this review, we are able to report that there are no issues that are arising from the examination of systems and controls that warrant inclusion in the Annual Governance Statement.

6 Scope and Objectives

The audit scope has previously been agreed for 11/12, as taken to Harbour Committee in June 2011; hence this audit focussed on Income and its associated controls. This audit will be undertaken based on the following key risk areas bulleted below using previous audit work and input from Harbour staff to ensure that the programme is relevant to the organisation.

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

The draft programme was sent with the terms of reference to provide opportunity for the programme to be reviewed, discussed and revised if necessary prior to the commencement of the work.

The objective of the audit is to provide assurance regarding these risk areas and record any necessary improvements to meet the related control expectations.

7 Inherent Limitations

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

8 Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

The thanks and appreciation extends to BTA who allowed access to their offices and documentation in order that we could provide assurance to the Harbour Authority regarding the accuracy and completeness of fish toll income.

Martin Gould
Head of Audit Partnership

Definitions of Audit Assurance Opinion Levels

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.
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.

Definition of Recommendation Priority

Priority	Definitions
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.

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Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Protect	Any material that may cause distress to individuals, breach proper undertakings to maintain the confidence of information provided by third parties, breach statutory restrictions on the disclosure of information, cause financial loss or loss of earning potential, or to facilitate improper gain, give unfair advantage for individuals or companies, prejudice the investigation or facilitate the commission of crime, disadvantage government in commercial or policy negotiations with others should be marked PROTECT.
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