

Item: 7.1

Monitoring and Audit Committee: 1 April 2021.

Internal Audit Report: Orkney Harbours Masterplan Phase 1 – Approval Process.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the internal audit report on the approval process for phase 1 of Orkney Harbours Masterplan.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit of the approval process for phase 1 of Orkney Harbours Masterplan.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the approval process for phase 1 of Orkney Harbours Masterplan.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

Fisher Associates were commissioned in 2018 to prepare an Orkney Harbours Masterplan. The purpose of the Masterplan is to provide a structured framework for the physical development and transformation of Orkney's harbours over a 20-year period.

3.2.

Phase 1 of the Masterplan was approved by Council on 16 April 2020. The level of Member scrutiny applied to the Masterplan has been the subject of debate during the approval process.

3.3.

The objective of this audit was to review the initial stages of Phase 1 of the project, concentrating on the approval process for the Harbours Masterplan.

4. Audit Findings

4.1.

The audit provides substantial assurance that the processes and procedures relating to the Masterplan approval process are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, does not contain any recommendations.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, email andrew.paterson@orkney.gov.uk.

Barrie Hamill, Internal Auditor, email barrie.hamill@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Orkney Harbours Masterplan Phase 1 – Approval Process.



Internal Audit

Audit report

Orkney Harbours Masterplan Phase 1 – Approval Process

Draft issue date: 25 February 2021

Final issue date: 05 March 2021

Distribution list:	<p>Executive Director Development and Infrastructure</p> <p>Head of Marine Services, Transportation and Harbour Master</p>
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The Orkney Harbours Masterplan has been developed to clarify the Harbour Authority's strategic planning for the medium to long term and sets the framework for the future growth and development of the harbour business and the local economy. Divided into two phases, Phase 1 was approved by Council on 16 April 2020. The level of Member scrutiny applied to the Masterplan has been the subject of debate during the approval process.

The review has found that:

- In accordance with the Council's Scheme of Administration, the Harbour Authority Sub-Committee was the relevant body to initially discuss the Masterplan.
- The process was consistent with the Council's Local Code of Corporate Governance and Council Standing Orders.
- The public consultation carried out was consistent with the agreed consultation strategy and followed best practice in community engagement.
- The final version of the plan was recommended for approval by the Harbour Authority Sub-committee, to which all Members outwith the Sub-committee were invited. One additional Member attended that meeting.
- In terms of scrutiny, the Plan has only been scrutinised in detail by the Members of the Harbour Authority Sub-committee and one other Member.
- However, the Sub-committee minutes were discussed at a Special General Meeting of the Council which 19 Councillors attended. An amendment to refer the plan back to the Harbour Authority Sub-committee was defeated by 14 votes to 5.

There are no recommendations arising from this report.

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

As part of the approved 2020/21 Audit Plan, time has been allocated for Internal Audit to review Council strategic projects as they progress to provide an independent opinion on the efficiency and effectiveness of project governance, risk management and control.

One of the Council's strategic projects is the Orkney Harbours Masterplan, the purpose of which is to provide a structured framework for the physical development and transformation of Orkney's harbours over a 20-year period. Due to the wide geographic spread of the Orkney Harbour Authority area the Orkney Harbours Masterplan has been split into two phases, with Phase 1 covering Scapa Flow and Kirkwall / Hatston and Phase 2 all other ports / harbours.

On 16 April 2020 Council approved the Orkney Harbours Masterplan Phase 1 as a strategic plan for the Statutory Harbour Authority.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit Scope

The objective of this audit was to review the initial stages of Phase 1 of the project, concentrating on the passage of the Masterplan through the Council's approval process. The detailed contents of the Masterplan itself are not within the scope of this review.

Audit Findings

1.0 Approval of the Draft Masterplan

- 1.1. The stages in the progress of Harbours Masterplan Phase 1 have been outlined in a timeline at Annex 1.
- 1.2. The Harbours Masterplan Phase 1 was commissioned in March 2018 following a tender process. The draft plan was initially discussed at the Harbour Authority Sub-committee on 19 March 2019. The Council's Scheme of Administration sets out the terms of reference of the business of the Council and its Committees and Sub-committees.
- 1.3. Included amongst the Sub-committee's referred functions are:
 - The provision of, or substantial improvements to, Council-owned harbour infrastructure, including piers, boat slips and jetties, vessels, navigation equipment and surveillance/communications equipment.
 - To consider business development opportunities, through the Port Master Plan, and ensuring those opportunities are consistent with the Council's broader economic development context, relevant policies and strategies and the Council Plan.
- 1.4. The Harbour Authority Sub-committee was therefore the correct forum in which to discuss the Masterplan.

2. Public Consultation

- 2.1. A public consultation took place in the Summer of 2019. Evidence indicates that the defined and agreed consultation strategy was followed, and that comments made during the consultation were represented in the final plan. The consultation process was in accordance with the National Standards for Community Engagement and demonstrated best practice.

3. Approval of the Masterplan

- 3.1 On 17 March 2020, the Harbour Authority Sub-committee met to consider the final version of the Masterplan and the undertaking of initial feasibility work. This was the only item on the agenda. All Councillors who were not Members of the Sub-committee were invited to attend. One invited Member attended and contributed to the discussion. Apologies were received from one Member of the Sub-committee and all the other invitees. Thus, seven Members were present. A review of notes taken during the meeting indicate that all Members attending except one, commented on or asked questions about the plan. The Chair was noted as saying that the debate highlighted the disappointment that more Members had not attended. The minutes show that this meeting lasted one hour.
- 3.2 The Sub-committee resolved to recommend to the Council
 - That the Orkney Harbours Masterplan Phase 1, attached as Appendix 1 to this Minute, be approved as a strategic plan for the Statutory Harbour Authority.
 - That, subject to the draft revenue budget for Miscellaneous Piers and Harbours for financial year 2020 to 2021 being approved, the Executive Director of Development and Infrastructure should arrange for initial feasibility studies to be carried out during

Summer/early Autumn 2020, or as soon as possible thereafter, at a cost not exceeding £150,000.

- 3.3 Under normal circumstances, the minutes of the Harbour Authority Sub-committee proceed to the Development and Infrastructure Committee for consideration and recommendation for approval by Council. However, due to COVID-19 restrictions, the schedule of service Committee meetings was cancelled. The minutes were discussed at a Special General Meeting of the Council held remotely on 16 April 2020 at which 19 Members were in attendance. The discussion lasted 23 minutes. For a number of reasons, including the concern that only 7 Members had formally scrutinised the proposal, an amendment was moved that approval of the Masterplan be referred back to the Harbour Authority Sub-committee for further consideration, with all elected Members being invited to attend the meeting. This was defeated by 14 votes to 5.

4. General Governance

- 4.1. A review of the Council's Local Code of Corporate Governance and Council Standing Orders indicated that the approval process was conducted in accordance with these.

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

Annex 1

March 2018	After a contract tender process, Fisher Associates were commissioned to prepare an Orkney Harbours Masterplan, the fundamental purpose of which was to provide a structured framework for the physical development and transformation of Orkney's harbours over a 20-year period.
19 March 2019	<p>Meeting of Harbour Authority Sub-committee.</p> <p>Draft Orkney Harbours Masterplan – Phase 1.</p> <p>Report to consider the draft Orkney Harbours Masterplan.</p>
02 April 2019	<p>Development and Infrastructure.</p> <p>Minute of Meeting of Harbour Authority Sub-committee approved. Same recommendations to Council.</p>
02 May 2019	<p>General Meeting of the Council.</p> <p>Council resolved to approve the recommendations of the Development and Infrastructure Committee which included the Masterplan</p>
June and July 2019	Public Consultation
February 2020	Final version of Harbours Masterplan completed.
17 March 2020	<p>Harbour Authority Sub-committee.</p> <p>Orkney Harbours Masterplan Phase 1.</p> <p>To consider the draft Orkney Harbours Masterplan Phase 1 and to consider undertaking initial feasibility work. This was the only item on the agenda. The meeting lasted 1 hour.</p> <p>All Councillors were invited. Six Members of the Sub-committee and one other Member attended. Apologies were recorded as being received from the other Councillors.</p> <p>Published Minute states - The Sub-committee resolved to recommend to the Council:</p> <ul style="list-style-type: none"> - That the Orkney Harbours Masterplan Phase 1, attached as Appendix 1 to this Minute, be approved as a strategic plan for the Statutory Harbour Authority. - That, subject to the draft revenue budget for Miscellaneous Piers and Harbours for financial year 2020 to 2021 being approved, the Executive Director of Development and Infrastructure should arrange

	<p>for initial feasibility studies to be carried out during summer/early autumn 2020, or as soon as possible thereafter, at a cost not exceeding £150,000.</p>
<p>16 April 2020</p>	<p>Special General Meeting of the Council (No D&I meeting due to COVID-19).</p> <p>Approval of Harbour Authority Sub-committee minutes.</p> <p>Amendment proposed to refer the Masterplan back to the Harbour Authority Sub-committee for further debate and scrutiny. Motion defeated 14-5 in favour of the minute of the Sub-committee being approved and the recommendations to approve the Masterplan carried.</p> <p>Resolved to approve the minute and ‘that the Orkney Harbours Masterplan Phase 1 be approved as a strategic plan for the Statutory Harbour Authority’.</p>