

Background and Context

- 1.1 The first Internal Audit Harbour Review was commissioned by the former Harbour Manager and Heritage Assets Review Manager on his appointment to the role. The objective of the assignment was to undertake a review of progress to date in improving the administration in the harbour office. The audit focused on three areas:
- Review of completeness of income generating processes
 - Consideration of the application and appropriateness of the current “by-laws”
 - Review of maintenance processes.
- 1.2. In December 2020, based on the work undertaken, an overall opinion of **‘limited assurance’** on the adequacy of the arrangements regarding internal control, risk management and governance arrangements was provided. Service Management was supportive of Internal Audit work and receptive to Internal Audit findings.

Scope and Objectives

- 1.3 The scope of this Harbour Review – Follow Up focused on delivery of agreed management actions from the first review. Re-performance of much of the original testing was not possible because the previous manual records and the “not fit for purpose” Harbour Management System had been replaced.

Audit Opinion

- 1.4 Internal Audit concluded **‘reasonable progress’** in the implementation of previously agreed High and Medium priority management actions.
- 1.5 In reaching this conclusion, Internal Audit noted:
- Demonstrable improvements in the boat records with the purchase and population of a new harbour management system – Havenstar2
 - Greater certainty over fee income as all berth fees are now invoiced through ABW
 - Draft responsibilities and duties for ‘boat clubs’ are being finalised
 - Appointment of a Principal Engineer in June 2021 who is making progress in developing and delivering the Asset Management Plan.
- 1.6 There has however been a delay in completing a Harbour Operational Review, which was due to report by 31 October 2021. This was due to the difficulty in procuring an appropriate consultant to undertake the review. A new reporting deadline of 31 March 2022 has been set. Given the current challenges in the operating environment exacerbated by the Covid pandemic, some process delays were inevitable and Internal Audit acknowledge that the Harbour Operational Review was appropriately prioritised.
- 1.7 Although reasonable progress is being made it is acknowledged that some improvements will take time to embed and until all the actions including those dependent on the Harbour Operational Review are fully implemented the risks associated with the completeness of income generation, appropriateness of by-laws and effectiveness of the maintenance and refurbishment processes remain. It is therefore important that Service Management continue to prioritise the improvement initiatives in this area. Internal Audit have been assured by Service Management that the Harbour remains a key area of improvement into 2022/23 and beyond.

Key Messages and Findings:

1.8 The previous Internal Audit report had five high and four medium audit findings which generated 15 key management actions to address the weaknesses identified. Internal Audit found that five key management actions had been fully delivered, namely:

- Havenstar2 was chosen as the new Harbour Management System; after a procurement delay, the system was set up and populated by 31 October 2021
- Boat records are now recorded by berth on Havenstar2
- A Principal Engineer was appointed in June 2021
- All berth fees are now being raised through ABW and invoiced
- The Harbour Management team have recognised the importance of requesting and receiving key documents from boat owners and have, on occasions, sought further advice from Internal Audit, demonstrating a positive working relationship.

1.9 Five out of eight key management actions (excluding those relating to Asset Management) in progress were dependent upon the completion of the Harbour Operational Review, namely:

- Zoning will be looked at after the Harbour Operational Review reports
- As part of the Governance Review within the Harbour Operational Review, the Service will review how it manages its waiting lists
- Having enforceable by-laws and licence conditions has become a key output for the Harbour Operational Review
- The right level of fee income will be one of the main outputs from the Harbour Operational Review
- Formalising the arrangements with 'boat clubs' is within the Harbour Operational Review.

The three key management actions not dependent upon the outcome of the Harbour Operational Review, are:

- Amending licence conditions will prove an easier way of enforcing the boat owners' duties and responsibilities
- Management will review the responsibility of the 'boat clubs' to maintain the pontoons along with the potential liability of the Council due to continuing disrepair
- It is under consideration whether to continue to accept cash at the harbour office.

1.10 Two key management actions are in progress and ongoing concerning the development and delivery of an Asset Management Plan for the harbour over at least five years.

- An initial funding allocation of £10m has been approved by Cabinet for 2022-23 onwards; non-invasive surveys completed prior to the appointment of the Principal Engineer indicate the need for an Asset Investment of £60m and Service Management are expecting more funding will be released when further surveys are completed
- The ongoing asset surveys will also inform the Asset Management Plan; this is being developed in co-operation with Highways.

Management Response

1.11 Service Management have worked closely with Internal Audit during both reviews to further develop the delivery of the Service. There has been significant progress in implementing a series of changes within the service over the past 12 months and the Harbour Service is continuing its work to implement actions and develop the Service.

1.12 A draft of the Harbour Operational Review has been received and we are working through this to provide feedback so that it can be finalised. Once we are in receipt of the final report, we will develop a prioritised action plan which will allow us to deliver on the actions. Although not directly linked to the Harbour

Operational Review, we have decided to add into the action plan the above actions relating to amending licence conditions, enforcing boat owners' duties and responsibilities, and responsibilities of 'boat clubs' to maintain the pontoons.

- 1.13 We will also put in place a process where we can monitor progress against set timescales and measure the success for each action.