

Item: 6.5

Monitoring and Audit Committee: 10 June 2021.

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

Report by Chief Internal Auditor.

1. Purpose of Report

To present further information clarifying points of detail in relation to the governance process regarding approval of the Orkney Harbours Masterplan Phase 1.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 1 April 2021, the Monitoring and Audit Committee considered the findings of an internal audit report relating to the approval process for phase 1 of the Orkney Harbours Masterplan.

2.2.

That, having reviewed the audit findings, referred to at paragraph 2.1 above, the Committee did not obtain the required assurance, in that the framework of governance, risk management and control regarding the approval process of phase 1 of the Orkney Harbours Masterplan were not found to be comprehensive and effective in light of the evidence provided.

2.3.

That the Committee subsequently requested further information in order to clarify points of detail, in relation to the governance process regarding the approval process of phase 1 of the Orkney Harbours Masterplan, raised by members.

2.4.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the further information clarifying points of detail in relation to the governance process regarding approval of the Orkney Harbours Masterplan Phase 1.

It is recommended:

2.5.

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

3. Background

3.1.

At its meeting held on 1 April 2021, the Monitoring and Audit Committee noted:

- That Internal Audit had undertaken a review of the approval process for phase 1 of the Orkney Harbours Masterplan.
- The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to the approval process for phase 1 of the Orkney Harbours Masterplan.

3.2.

The Committee recommended:

- That, having reviewed the audit findings, referred to above, assurance was not obtained, in that the framework of governance, risk management and control regarding the approval process of phase 1 of the Orkney Harbours Masterplan were not found to be comprehensive and effective in light of the evidence provided.
- That the Chief Internal Auditor should submit a further report, to the Monitoring and Audit Committee, clarifying points of detail in relation to the governance process regarding the approval process of phase 1 of the Orkney Harbours Masterplan raised by members.

4. Audit Findings

4.1.

The internal audit report, attached as Appendix 1 to this report, contains further information to clarify points of detail in relation to the governance process regarding the approval process of phase 1 of the Orkney Harbours Masterplan raised by members.

4.2.

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

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9. Appendix

Appendix 1: Internal Audit report: Update to the Orkney Harbours Masterplan Phase 1 – Approval Process



Internal Audit

Audit report

Update to the Harbours Masterplan Phase 1 Approval Process.

Draft issue date: 19 May 2021

Final issue date: 31 May 2021

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

On 1 April 2021, the Monitoring and Audit Committee considered the findings of an internal audit report relating to the approval process for phase 1 of the Orkney Harbours Masterplan. Having reviewed the audit findings, the Committee decided assurance was not obtained, in that the framework of governance, risk management and control regarding the approval process of phase 1 of the Orkney Harbour Masterplan were not found to be comprehensive and effective in light of the evidence provided.

The Committee recommended that a further report be submitted in order to clarify points of detail in relation to the governance process, raised by Members.

This report follows further investigation into those points raised by Members.

Audit Findings

1.0 The Harbour Authority Sub-Committee Meeting of 17 March 2020

- 1.1 A concern was raised that not all Members had been invited to the meeting of the Harbour Authority Sub-committee held on 17 March 2020 when the Harbours Masterplan was discussed.
- 1.2 Internal Audit can confirm that an email, marked as high priority, containing an invitation to attend this meeting, with an attached Agenda, was sent to all Members on 9 March 2020.
- 1.2 The Minute of the Meeting states that all who did not attend had sent apologies. However, we are unable to confirm this as Committee Officers delete all emails following a complete Committee cycle and IT are unable to recover emails older than 30 days from Office 365 deleted folders.

2.0 Budget Approval for the Harbours Masterplan

- 2.1 A question was asked regarding whether the Minute should have gone to Policy and Resources Committee given it had financial implications.
- 2.2 The proposal for initial feasibility works to a value of £150,000 had been provided for in full within the revenue budget for the Miscellaneous Piers and Harbours for the financial year 2020/21. No additional approval of expenditure was therefore strictly necessary from the Policy and Resources Committee.

3.0 The Special General Meeting of 16 April 2020

- 3.1 In March 2020, COVID-19 restrictions were announced by the UK and Scottish Governments. On 23 March 2020, at a Special General Meeting of the Council, temporary amendments to Council Standing Orders were agreed and the normal cycle of Committee meetings was suspended shortly after this. The amendments to the Standing Orders included reducing the notice period for meetings to one clear day.
- 3.2 The Special General Meeting at which the Minute of the Meeting of the Harbour Authority Sub-committee was discussed took place on 16 April 2020 at 10:30. Internal Audit has confirmed that the Agenda was issued on 15 April 2020 at 14:06.

- 3.3 Therefore, the issuing of the agenda was not in strict adherence to the terms of the amended Standing Orders. No specific mention of this was made in the Minute of the Special General Meeting held on 16 April 2020.
- 3.4 In certain circumstances, legislation (Section 50A(6) of the Local Government (Scotland) Act 1973) (the Act) envisages that there will be circumstances where a meeting may require to be convened at shorter notice. The agenda for this meeting included items relating to the COVID-19 pandemic, such as the Food Fund Allocation and Local Business Hardship Assistance, which could be considered a valid reason for the short notice.
- 3.5 Standing Order 6.3 states that “if the Meeting is held at short notice, the time and place of the meeting will be published, and the Agenda issued as soon as possible”.
- 3.6 At the time this meeting was arranged, the Committees team was seriously depleted with some staff having been redeployed to the COVID Hub and others shielding. This was also the first formal Council meeting to be arranged using the new Microsoft Teams format.

Conclusion

The original report states that 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.

Although the agenda for the Special General Meeting on 16 April 2020 was not issued in strict adherence to the terms of the Council’s amended Standing Orders, the Act and Standing Order 6.3 do indicate that in appropriate circumstances it would be reasonable to hold meetings at short notice even if this means issuing the agenda to Members less than one clear day in advance.

Given that there were papers on hardship assistance at this meeting and that this was early on in the pandemic, this would seem to be a valid reason why the meeting needed to be convened, and the agenda issued, at short notice.