



ORKNEY
ISLANDS COUNCIL

Item: 6

Monitoring and Audit Committee: 5 February 2026.

Internal Audit – Marine Services – Safety, Maintenance and Inspection.

Report by Chief Internal Auditor.

1. Overview

- 1.1. The internal audit plan 2025/26 includes a review of Marine Services Safety, Maintenance and Inspection. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.2. The Council's Marine Services provide a range of services to shipping, passenger ferries and fishing vessels using the ports and harbours across the county including Vessel Traffic Services, towage, pilotage, safety, security, waste and water management and marine environmental services.
- 1.3. An annual independent audit is undertaken by Marico Marine on compliance with the Port and Marine Facilities Safety Code and every effort has been made to avoid unnecessary duplication in audit work.
- 1.4. The objective of this audit was to review the policies and procedures around safety and the maintenance and inspection of the assets utilised in the provision of Marine Services.
- 1.5. The audit provides Adequate assurance that procedures and controls relating to Marine Services Safety, Maintenance and Inspection are well controlled and managed.
- 1.6. The internal audit report, attached as Appendix 1 to this report, includes four medium recommendations regarding traffic management plans, risk assessments, pier inspections and project identification numbers. There are also four low priority recommendations regarding the port visitor management plan, the asset maintenance programme, staff training records and a data driven asset monitoring system.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to policies and procedures around safety, maintenance and inspection of the assets utilised in the provision of Marine Services, in order to obtain assurance that action has been taken or agreed where necessary.

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Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - ☐ Growing our Economy.
 - ☐ Strengthening our Communities.
 - ☐ Developing our Infrastructure.
 - ☐ Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - ☐ Cost of Living.
 - ☐ Sustainable Development.
 - ☐ Local Equality.
 - ☐ Improving Population Health.

9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Marine Services Safety, Maintenance and Inspection.



Internal Audit

Audit Report

Marine Services – Safety, Maintenance and Inspection

Draft issue date: 16 December 2025

Final issue date: 14 January 2026

Distribution list:	Director of Enterprise and Resources Interim Harbour Master Deputy Harbour Master – Strategy and Support Deputy Harbour Master - Piers, Infrastructure and VTS Port Safety Manager Marine Infrastructure Manager Business Development Manager Service Manager (Safety and Resilience)
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Audit Opinion

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

Adequate

Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.

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

Executive Summary

The services and operations provided around piers and harbours by Marine Services are subject to extensive regulation. Various elements of the operations are subject to review and audit by the Department for Transport, the Health and Safety Executive and Marico Marine (the Designated Person for the purposes of the Port Marine Safety Code (PMS)) in addition to oversight and reporting to the Harbour Authority Sub-committee of Orkney Islands Council (the Council).

This audit found that the Marine Safety Management System (SMS) Manual and Standard Operating Procedures produced by the Service were comprehensive, reviewed regularly, up to date and available to staff via the shared directories.

There are a number of instances where the recent appointment of staff to key roles within the area under audit had resulted in the identification of, and commencement of, improvement activities. The report recognises this good work, and some recommendations relate to the completion of actions already underway. In addition, in several areas where control weaknesses were identified during the audit, staff acted to resolve issues and completed necessary actions before the end of the audit.

While the audit identified several areas of good practice, there are also opportunities to enhance processes and controls in the following areas:

- Creating a policy and documented procedures around maintenance and inspections.
- Management of fire risk assessments in line with Council policy.
- Maintenance of a programme of pier inspections.
- Improved repair project expenditure tracking and management of budget surpluses transferred to a contingency fund.

Areas of good practice, in addition to those noted above, include:

- Any incidents or near misses are quickly logged in a relevant system.
- There has been good follow up on audit recommendations made by Marico Marine.
- Safety inspections and inspections of fire alarms and equipment are up to date.
- The regime for inspections of regulated equipment is up to date and the relevant assets well managed.
- Emergency plans are comprehensive, and procedures are tested through regular drills.

The report includes 8 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via the Ideagen Risk Management System.

Total	High	Medium	Low
8	0	4	4

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

Introduction

Orkney Islands Council Marine Services (Marine Services) provide a range of Services to shipping, passenger ferries and fishing vessels using the ports and harbours across the county including Vessel Traffic Services (VTS), towage, pilotage, safety, security, waste and water management and marine environmental services.

This is achieved using its capital assets: infrastructure, plant and equipment. A structured, ongoing programme of inspection and maintenance is crucial to maintaining the following:

- Safety and risk management.
- Regulatory compliance.
- Operational continuity.
- Asset longevity and cost efficiency.
- Environmental protection.

An annual independent audit is undertaken by Marico Marine on compliance with the Port and Marine Facilities Safety Code, which is primarily focussed on 'wet' side operations, but also reviews the operation of the Marine Safety Management System which covers both 'wet' and 'dry' side operations. As a result, there may be some corresponding areas between this audit and the areas reviewed by Marico Marine. However, every effort was made to avoid unnecessary duplication in audit work.

This review was conducted in conformance with the Global Internal Audit Standards for the UK Public Sector.

Audit Scope

The scope of this audit included, but is not restricted to, the following:

- Reviewing governance around safety, maintenance and inspections.
- Adherence to policies, procedures and regulations governing safety, maintenance and inspection.
- Reviewing risk management.
- Reviewing inspection and reporting protocols.
- Reviewing emergency procedures.
- Reviewing maintenance contracts, procurement and ongoing management.
- Reviewing financial oversight.

Audit Findings

1.0 Governance

- 1.1 The strategic plan for the Orkney Harbour Authority, the Orkney Harbours Masterplan, has a stated purpose of providing 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 had been split into two phases, with Phase 1 being Scapa Flow and Kirkwall/Hatston and Phase 2 being all other ports/harbours.
- 1.2 The Masterplan Phase 1 was authorised by the Harbour Authority Sub-committee in March 2020, and a contract was awarded in July 2025 for Phase 2 strategic planning in respect of the Inter Isles Ferry Replacement Programme and necessary harbour infrastructure works.
- 1.3 The Masterplan is focussed on capital expenditure and upgrading of existing assets to meet future demands rather than on the maintenance of existing assets. Although ongoing maintenance may be perceived to be business as usual, a strategy for ongoing maintenance is essential to ensure safety and compliance, minimise downtime, extend asset life, and control costs. Without it, there is the risk that operations become reactive, inefficient, and vulnerable to unexpected failures.
- 1.4 For Marine Services, the primary operational document is the Marine Safety Management System Manual (SMS Manual) which was reissued as version 7.4 at the end of October 2024. The safety aspects of harbour operations are an intrinsic part of this document. The SMS Manual identifies the designated role covering responsibility for the management and oversight of shore side infrastructure and assets, the Deputy Harbour Master – Strategy and Support (DHM – S&S), together with the reporting lines within the management structure.
- 1.5 At present, as noted above, there is no formal strategy document, or medium or long-term plan in respect of ongoing maintenance and inspection. However, an asset maintenance programme is presently under development (See paragraph 2.9 below).
- 1.6 Responsibility for security within the Orkney Harbour Authority's (OHA) ports and harbours falls to the Port Facility Security Officer (PFSO). Oversight of security matters, including inspection of security controls sits with the Department for Transport (DfT), who undertake annual audits together with unannounced spot visits. In addition, the PFSO and deposes work with Resolve Training who provide PFSO training and security consultancy services including security reports.
- 1.7 OHA has a Port Facility Security Plan (PFSP) for piers and harbours, which contains sensitive information and is accessible only to individuals with the appropriate national security clearance. The audit reports from DfT and inspection reports from the security consultant are also available only with appropriate security clearance. The PFSP is reviewed and updated at least annually to reflect the findings of the DfT and security consultant, and any changes to the plan have to be approved by the DfT.
- 1.8 We have relied upon the work undertaken by the DfT and Resolve Training in the area of security. As a result, we have not undertaken audit review or testing on the security of the ports and harbours.

2.0 Policies, Procedures and Regulations

- 2.1 The main policy addressing Health and Safety for all establishments within the Council is the Occupational Health, Safety and Welfare (OHSW) Policy. This policy has been updated regularly, most recently in March 2025, with major amendments to ensure alignment with the requirements of the most recent legislation.
- 2.2 As noted at paragraph 1.4 above, the primary operational document is the Marine Safety Management System Manual (SMS Manual). This document is regularly reviewed and updated as required. The Harbour Authority website contains a link to the SMS Manual on the Brochures and Documents page, but at the time of testing this linked to the previous version of the document (version 7.3).
- 2.3 Prior to the completion of the audit, this has been rectified, and a process implemented to ensure that all documents listed are the latest versions available, and periodic reviews implemented to maintain links to up-to-date information. Accordingly, no recommendation is made at this time.
- 2.4 There are over 50 Standard Operating Procedures (SOPs) accessible to staff in a shared directory, covering both shore-side and marine activities, together with general areas such as risk assessments, action prioritisation, accident and incident reporting, performance monitoring and personnel training. Audit review has confirmed that these documents are regularly reviewed and updated as required.
- 2.5 A crucial part of safety in shore side operations is the management of traffic (including vehicles and passengers). Traffic Management Plans (TMPs) are a key resource in managing traffic risks and controlling shore-side traffic as required in the Port Marine Safety Code and the Health and Safety at Work Act 1974.
- 2.6 A TMP was produced for Kirkwall Harbour in February 2025 and implemented. At present, no further TMPs have been produced. We recommend that a programme of Traffic Management Plans are produced for all pier areas where passengers or visitors are likely to interact with vehicles, beginning with those piers with the highest risk, i.e. the piers with highest amount of foot traffic.

Recommendation 1

- 2.7 Marine Services have produced a guidance document for Northlink Ferries, covering the embarking and disembarkation of ferry passengers on foot, via the walkway. This document covers monitoring of the connection of the walkway pod to the ship's side, control of flow of passengers, and emergency procedures in the event of an automatic disconnection of the walkway if a fault arises.
- 2.8 There are no SOPs in respect of cruise ship passengers, as the responsibility for actions to manage safety for cruise visitors was transferred to the contractor, Ship 2 Shore, under the contract for Cruise Ship Welcome and Information Services. However, the Pier Supervisor is in attendance throughout cruise calls at Hatston. In addition, members of the Senior Operations Team and the Business Development Team will attend most calls at some point during the day. Finally, the Business Development Manager is currently drafting a port visitor management plan. We recommend that this plan is finalised and implemented, and that it includes a section on cruise ship passenger safety when in port.

Recommendation 2

- 2.9 The SMS Manual and SOPs provide comprehensive coverage of safety processes; however, guidance on asset management and inspections could be expanded to strengthen operational resilience. The recently appointed Marine Infrastructure Manager has begun a project to establish an asset maintenance programme, which has a target date for completion of December 2026. Currently, the project steps do not specifically include the establishment of a policy or procedure document.
- 2.10 It would be beneficial to incorporate policy and procedure documents into the asset maintenance programme to support a structured risk-based approach to asset management and inspection. In addition, we recommend that medium term plans, setting out SMART objectives for management and oversight of shore-based infrastructure, should be drawn up and staff given targets and objectives in line with those plans.

Recommendation 3

- 2.11 The Council's Safety and Resilience team have produced a draft document, Equipment Safety Compliance Guidance 2025 – 2027, which is intended to ensure compliance with the following:

- Lifting Operations and Lifting Equipment Regulations (LOLER) 1998.
- Provision and Use of Work Equipment Regulations (PUWER) 1998.
- Pressure Systems Safety Regulations (PSSR) 2000.

The guidance is intended to provide a framework for training, inspection, maintenance and incident reporting. This report has been agreed by the Safety Committee, and will go to the Corporate Leadership Team for approval in January 2026. In light of the progress made here, no recommendation is made.

- 2.12 In addition, the Council's Safety and Resilience team are also working on a Water Safety Policy and guidance around associated signage and equipment. This policy is due to be finalised in January 2026, and will then also go to the Corporate Leadership Team for approval.
- 2.13 The British Ports Association states on its webpage [Mapping Port Regulation](#), that ports are covered by 'thousands of government regulations', many of which will apply to harbour operations in Orkney. High level audit review of the SMS Manual confirmed that most of the regulation identified as the most important by the British Ports Association in respect of safety is specifically reflected within the SMS Manual. Residual regulation of activities is likely to be covered by compliance with the Port Marine Safety Code. As this is separately audited, we have relied on the work undertaken by Marico Marine, and no further audit review or testing on regulatory compliance has been undertaken.

3.0 Risk Management

- 3.1 The Risk Assessment Register (RAR) is a control spreadsheet that lists Risk Assessments (RA) by area, identifies the reviewer and sets out the date of the last review and the next anticipated review. At present, the RAR is the only method of monitoring the status of risk assessments, and highlights 'late' reviews. At the time of testing, the register showed that RAs in two areas: Pier Operations & Harbours, and Marine Environmental Unit were in date. The remaining areas were shown as 'late' with some reviews apparently four years overdue. This appears to be due to a specific staff vacancy, for the Database Administrator, which has now been filled.

3.2 Audit work comparing the RAR to the risk assessments showed that the RAR was:

- Missing some later risk assessments.
- Did not contain the latest review dates of all risk assessments.
- Did not show the dates of the next expected review.

Prior to the completion of the audit, a service wide review of risk assessments was undertaken, the RAR was updated, and this document now incorporates expected review dates. As this control has now been reinstated, no recommendation for further action is made here.

3.3 The Port Safety Manager (PSM) has proposed moving to using an existing incident recording software system (Hazman) to record risk assessments, which would then send out reminders for completion of reviews and updating of risk assessments. The relevant standard operating procedure (SOP) has been updated to reflect adding risk assessments to the Hazman system. At the time of testing this had not been implemented, but it is expected to be implemented by March 2026.

3.4 Navigation risk assessments have a separate review by the Marine Superintendent, and are audited through the Port Marine Safety Code audit. We are reliant upon the work undertaken by Marico Marine and no further work has been done in this area.

3.5 Attendance at Council Safety Committee meetings has been variable; increasing participation could enhance communication and oversight. Invitations to these quarterly meetings have now been extended to the Port Safety Manager, and accordingly, no recommendation is made here.

3.6 Incident reports are logged both on the SMS Monitor Register and on the Hazman system. Entries to the Hazman system form the basis of reports to Council sub-committees and external authorities where required. For incidences within the period from April 2024 to August 2025 there were:

- 5 incidences on the SMS Monitor register which are not on the Hazman system, and
- 6 incidences on the Hazman system which are not on the SMS Monitor register.

Once this had been highlighted, remedial action was undertaken during the course of the audit, and the issue was resolved. Accordingly, no further recommendation is made here.

3.7 Training and awareness programmes provide continuous education for staff on safety procedures, hazard recognition and emergency response. Marine Services have a training matrix in place to record staff attendance, but at the time of testing several courses were shown as overdue. A number of reasons have been given for this:

- For some external courses, availability of courses may cause delays.
- There was a vacancy in the Database Administrator role.
- The spreadsheet defaults to a repeat cycle of 36 months, but some courses require only one attendance. A number of courses are therefore incorrectly shown as overdue.

3.8 Following this matter being raised in the course of the audit, a replacement training matrix has been developed and updated to reflect the findings above. Accordingly, as this control is now effective, no further recommendations are made in this area.

- 3.9 In addition, a report on overdue Council courses at the end of August 2025 identified 353 overdue training courses, relating to Marine Services employees, and covering all areas including Health and Safety (H&S). There is no exemption in place for staff from the Service in respect of completion of these courses.
- 3.10 Some staff, particularly staff at airfields and piers on the outer isles, do not have access to the Council's iLearn system. Many of these staff have also undertaken role specific detailed training courses which go into more detail than the equivalent H&S iLearn.
- 3.11 We recommend that:
- Consideration is given to collaboration with the Safety and Resilience team to develop a system whereby attending specialist training provides staff with a 'credit' in respect of the relevant iLearn.
 - Staff should be encouraged to complete outstanding training courses wherever possible.

Recommendation 4

- 3.12 There are regular Department for Transport audits, together with the audits undertaken under the Port Marine Safety Code. Recommendations from these audits are carried forward and reviewed in following audits to ensure that actions are completed.
- 3.13 In terms of communicating safety matters to the public and harbour users, there is clear signage on the larger piers to encourage compliance. Historically, there were harbour user groups, which allowed two-way exchange of information and concerns, but these had become dormant. Work is now underway to reinstate these groups across various locations, on a quarterly basis, with the first meeting having been held in Stromness in November 2025. Accordingly, as this programme is already underway, we make no recommendation here.
- 3.14 A Harbours Authority Health, Safety and Environmental Handbook has been produced and is available on the Port Information section of the Harbour Authority website. This document is dated August 2025 and includes a clear statement of responsibilities for contractors, port and harbour tenants, port users and visitors,
- 3.15 The key document in respect of safety within the Service is the Marine Safety Management Plan (2024-2026), also known as a Marine Safety Management System (SMS) Plan. Marico Marine, as the Designated Person, reviews this plan to ensure compliance with the Port Marine Safety Code. We are reliant upon the work undertaken by Marico Marine and no further work has been done in this area.

4.0 Inspection and Reporting Protocols

- 4.1 The SMS Plan noted above sets out that the Deputy Harbour Master – Strategy and Support is responsible for ensuring that infrastructure and shore-based assets are 'safe, resilient, suitable and available for effective, efficient, successful and compliant operations of harbour and marine operations', but is otherwise silent on how this should be achieved.
- 4.2 The Maritime and Coastguard Agency (MCA) have issued a [Guide to Good practice in port and marine facilities](#). Whilst this document does not contain detailed guidance in respect of infrastructure management protocols, it does suggest integration of infrastructure risks into the SMS Plan and has an emphasis on engineering inspections and asset condition monitoring.

Safety and Fire Equipment Inspections

- 4.3 Inspections are required under the Service Health and Safety Policy in the areas of safety and fire equipment. Safety inspection forms are now completed which show details of issues identified and a reference to a photograph of the relevant area. This allows the Deputy Harbour Master Piers - Infrastructure and VTS to review the issues and agree work requests without the need for a second visit to the site. Both the completed safety inspection forms and the relevant photographs are held on the Marine Services shared drive.
- 4.4 Audit testing of a sample of properties showing as owned by 'Harbours' on the Concerto system was undertaken to ensure that there were associated contracts for maintenance of fire alarms and firefighting equipment, and that these maintenance inspections were taking place at least annually. Six premises were tested in respect of fire alarms and six in respect of firefighting equipment. In each test, two premises were not shown to have relevant contracts (four in total). These premises were three waiting rooms on the piers for various isles, together with the Shapinsay VTS radar station.
- 4.5 Further review of these premises identified that they were all deemed to be low risk, as a result of which, there were no alarms or firefighting equipment on site. In addition, no written fire safety risk assessments were in place for these premises. It appears that this latter situation has arisen as a result of interpretation of the relevant legislation, the Fire (Scotland) Act) 2005 (FSA), in line with historic Health and Safety Guidance which previously linked written fire risk assessments to staffing levels. Since these premises are unstaffed, it was thought that no fire risk assessment was required.
- 4.6 However, since these premises were accessible to the public or used in connection with a commercial or public service, they are likely to be considered "relevant premises" under Section 78 of the FSA, and a fire risk assessment would be legally required under Section 54 of the FSA.
- 4.7 In addition, the Council Fire Safety Policy states under section 3.3 that 'Fire Safety Risk Assessments are to be carried out on **all** Orkney Islands Council Premises.'
- 4.8 To align with Council policy, and best practice, we recommend ensuring that all premises have an appropriate fire risk assessment in place, with a streamlined template for low-risk sites. In addition, we recommend that evacuation risk assessments be undertaken at the smaller piers in the isles, and that, *if not already present*,
- a notice of emergency evacuation instructions and muster point should be put in place in all public waiting rooms (See para 5.4 below), and
 - publicly accessible safety equipment, such as life rings, should be installed.

Recommendation 5

Regulated Equipment Inspections.

- 4.9 Equipment subject to Lifting Operations and Lifting Equipment Regulations (LOLER), Provision and User of Work Equipment Regulations (PUWER) and Pressure System Safety Regulations (PSSR) is subject to inspection by specialist external contractors on a 6 monthly cycle. Formal inspection reports including certificates, historical inspection data, engineer comments and recommendations, and status updates are recorded on the HSB Connect site.

4.10 The HSB Connect site, which is accessible by Service staff, has a dashboard summary, which highlights defects identified by category:

- Defects posing an immediate or serious risk to safety.
- Defects that do not pose an immediate danger but require attention to maintain compliance and safety.
- Items that are advisory in nature.

In addition, the dashboard highlights assets which have not been inspected within the regulatory timeframe. At the time of audit testing, no assets fell within this category.

4.11 Results for the 2025 reports, together with the prior year figures are set out in Figure 1 below. Assets are not available for review either because they have already been quarantined prior to disposal, or because they were in use at the time of the HSB inspection. Our audit work confirmed that the October 2025 report included the disposal of, or the inspection of, some assets listed as unavailable in March 2025.

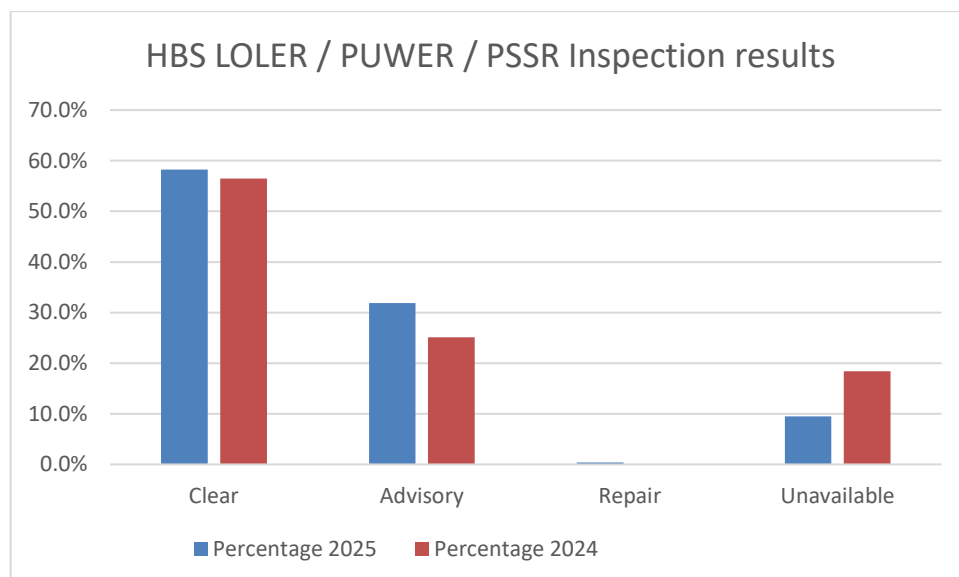


Figure 1: Inspection results 2024 and 2025

Pier Inspections

4.12 A weekly visual inspection of the piers is undertaken by the Pier Masters. Any defects were previously notified to the Technical Superintendent who would raise a defect notice and arrange for the relevant level of repair, either in-house or by external contractors. Defects are now recorded via the ShireSystem database, which allows defects to be added to the database and for the appropriate workflow to be initiated and monitored. Pier Masters have been issued with tablet computers and system guidance and can now enter work requests into the database directly. Audit review confirmed that this process is working effectively.

4.13 Prior to October 2024, Engineering Services had responsibility for the organisation and performance of annual pier inspections and preparation of the piers' maintenance defects list. Due to difficulties with staff resources, and the requirement to use scheduled ferry services, it proved impossible for the team to meet the schedule. Responsibility for the pier inspections has now been transferred to Marine Services, who have access to a Pilot Boat and may be able to facilitate these visits more readily.

- 4.14 The last three full pier reports were completed in 2022 for Stromness, Lyness and Balfour piers. In 2023, inspection reports were undertaken for Burray, Burwick, Eday, Egilsay, Holm, Longhope, Lyness, Moaness, Rousay, Stronsay and Wyre. More recently, inspections have taken place at Scapa and at Holm to prepare a brief for a repair project.
- 4.15 As part of the Harbours Masterplan Phase 2, there is a requirement to obtain baseline inspections for the piers. These inspections are expected to be carried out in the next six to nine months. Some piers will not have been inspected for nearly four years, however, the regularity of inspection of the piers is dependent upon the construction of the piers, which may be wholly or partially 'sheet piled', constructed from solid concrete or formed from a suspended deck, with inspection requirements ranging from one to four years.
- 4.16 A recent fault with the pier at Eday has been identified which has adversely affected the lifeline service. Although an inspection of that pier was undertaken comparatively recently, the impact of this fault highlights the necessity of ensuring that a programme of pier inspections is adequately maintained.
- 4.17 We recommend that the baseline inspections for all piers are carried out within nine months. In addition, a proposed schedule of future pier inspections should be formalised in a policy (see para. 2.10 above) by reference to the type of pier construction, and subject to monitoring and reporting to minimise future slippage.

Recommendation 6

Defect Reporting

- 4.18 Prior to October 2024, defect reporting was via a 'paper' trail, with coloured copies of defect reports and work orders being used to track the progress of the resolution of the issue. Following the introduction of the ShireSystem database to log and track work requests, copies of the paper documentation held by the Pier Masters was sent to the Scapa offices and scanned onto the database to provide historical detail. Following this, the paper documentation was shredded.
- 4.19 The Service have not been able to supply copies of defect reporting documentation for the period prior to the implementation of ShireSystem, and it appears that whilst this may partially be due to documentation being shredded as above, the reporting system was also not being consistently used as designed.
- 4.20 Since the introduction of the ShireSystem, defect reporting is done directly to the database via tablets available to Pier Masters and other staff, and the management of work orders is visible via the system, allowing reporting and analytics to be done. Since the current system has adequate controls in place in respect of defect reporting, no recommendation is made.

5.0 Emergency Procedures

- 5.1 There is an emergency response plan in place, the Harbours Emergency Plan (the Plan), which was last reviewed in July 2024. This is a comprehensive document including key emergency communications and collaboration protocols. The Plan also includes mechanisms for reviews of any incidents and the relevant procedures in place. The results of these reviews are reportable via the standard committee process.
- 5.2 The Plan, supported by the Oil Spill Contingency Plan and the relevant standard operating procedure document, set out details of environmental protection measures in place, such as pollution contingency plans and containment strategies for hazardous spills. Minor incidents

are dealt with using available equipment, and designated Tier II incident contractors are in place for any major incidents.

- 5.3 Emergency drills including fire evacuation drills and pollution drills are undertaken in the main piers and harbours. The smaller piers in the isles do not have regular drills as they are deemed to have a much lower risk, since the piers are smaller and contain little flammable or polluting material.
- 5.4 We recommend that evacuation risk assessments be undertaken at the smaller piers in the isles, alongside the fire risk assessments noted at paragraph 4.8 above, and that, *if not already present*:
- a notice of emergency evacuation instructions and muster points should be put in place in all public waiting rooms, and
 - publicly accessible safety equipment, such as life rings, should be installed.

See Recommendation 5 above

6.0 Repairs and Maintenance Contracts Procurement and Management

- 6.1 Maintenance contracts are subject to the Council contract procurement procedures and policies. Under section 19 of the Contract Standing Orders, unregulated procurement is available for works with a value of between £50,000 and £2 million. Unregulated procurements for works may be invited and returned by either Quick Quote system or by a contract notice placed on the Public Contracts Scotland (PCS) portal.
- 6.2 To ensure that the Council can assess suppliers on various factors including their financial stability and regulatory compliance, suppliers are required to complete a Single Procurement Document (SPD) where PCS tenders are used. Alternatively, the Council uses a Dynamic Purchasing System (DPS) where an authorised list of suppliers is invited to tender for lower value works. Under this regime, to be considered for contracts with values between £50,000 and £2 million, a supplier would provide an initial application pack including a European Single Procurement Document (eSPD) in order to be accepted onto the authorised list of suppliers.
- 6.3 We reviewed six contracts for repairs or maintenance work for the piers and harbours all of which had total costs of less than £2 million and more than £50,000. Of these, five contracts were procured using the Quick Quote system. For the remaining contract, for the remediation of land at Lyness pier, which had a tender value of £290k, tenders were sought using the PCS website. This contract did not go through the Quick Quote process because of the specialist nature of the works required.
- 6.4 We were able to confirm that for the contract issued through the PCS website, all the relevant documentation including an eSPD was in place. For the contracts awarded via Quick Quote, we tested whether the relevant suppliers were authorised and included in the Dynamic Purchasing Scheme (DPS), a requirement for consideration for Quick Quote contracts. One contract was awarded via Quick Quote at a time when the supplier who had previously been included in the DPS, had been removed. The removal of the supplier from the DPS was as a result of their failure to supply insurance documents. However, these insurance documents were subsequently supplied as part of the contract tender. Accordingly, any risk to the Council was addressed in this case, by an alternative control. This appears to have been a one-off human error rather than a failure of the control itself.

- 6.5 Audit review of a selected subset of three of the contracts tested whether procurement documentation had been completed and retained. For all contracts tested there was a signed procurement plan on file, together with signed tender report document and the contract award letter signed by the supplier.
- 6.6 Contracts specify scope and deliverables and have a framework which includes quality management and adherence to safety standards. However, contracts do not include key performance indicators (KPIs) or penalties for non-compliance (See paragraph 6.9 below).
- 6.7 For civil engineering type contracts formerly managed by the Council's engineering team, there used to be a Clerk of Works in place, who had responsibility for ensuring the safety and quality of construction works and materials. However, although this role is vacant at present, the contracts being used currently follow the format of the Institute of Civil Engineers (ICE) contract templates, which include a named person as the 'supervisor', a role that can decide whether there is a defect or not.
- 6.8 These contracts also include mechanisms for dealing with 'Compensation Events', i.e. amendments required by the client or in response to changes in circumstances. Contractors submit stage payment requests including compensation events, over the life of the contract, which are reviewed by the project manager and signed off by the Head of Service. As a result, there is an ongoing review of the performance of the contractor over the life of the contract.
- 6.9 Contracts do not include penalty clauses or incentive clauses. In respect of clauses which constitute a penalty, they are only enforceable to the extent of the loss suffered as a result of the breach. It is argued that, due to the difficulty in quantifying such losses, penalty clauses are not worth pursuing, and this argument is extended to liquidated damages clauses. Incentive clauses are generally only used in construction type contracts where a client is able to realise financial gain from an early completion, for example, early completion of the build of a revenue generating asset. In the case of repairs contracts, this direct link to financial gain is missing.
- 6.10 Financial contract outcomes are subject to scrutiny as part of the reporting noted at paragraph 7.4 below.

7.0 Financial Oversight

- 7.1 The Orkney Harbours Masterplan (the Masterplan) recognises the need to "invest in facilities and infrastructure to safeguard and grow existing markets as well as attract new business and income". Due to the wide geographic spread of the Orkney Harbour Authority area, the Masterplan was split into two phases: Phase 1 being Scapa Flow and Kirkwall/Hatston; and Phase 2 to be all other ports/harbours. Phase 1 of the Masterplan was formally approved as a strategic plan for the Harbour Authority in April 2020.
- 7.2 Phase 2 of the Masterplan is intended to provide a structured framework for upgrading Orkney's harbours and piers over a 20-year period. The contract for developing this plan was awarded in July 2025.
- 7.3 However, in addition, work is ongoing to ensure that existing assets can continue to be used in operations. Annual budgets are drawn up for both revenue maintenance costs and minor capital improvements splitting proposed costs between:
- Project retentions from prior years.

- Costs for prior year projects carried forward.
- Proposed current year projects.

- 7.4 There is quarterly reporting to the Harbour Authority Sub-committee on the actual expenditure incurred, and variances are highlighted and explained. In recent years there have been a substantial number of project underspends in each financial year, with projects being carried forward into subsequent years.
- 7.5 For the Miscellaneous Piers Repairs and Maintenance Fund, any surplus budgeted expenditure for the current year projects, over the total actual expenditure in the year including prior year projects, is carried forward as a contingency fund, the Miscellaneous Piers Property Maintenance Fund. If actual expenditure on current and prior year projects were to exceed the current year budget, any deficit would be taken from the contingency account.
- 7.6 Since April 2021, the balance of the contingency account has increased substantially, due to actual expenditure falling behind the proposed maintenance plans put forward year on year. The substantial yearly underspends appear to be a result of the following factors:
- There has historically been both a lack of engineering staff within the Council and a lack of contractors available to undertake the work.
 - There can be considerable delays between the award of a contract and the commencement of works by the contractor. This has been ascribed to local contractors being stretched for resources and not having the capacity to commence works, and contract sizes not being large enough to attract constructors from outwith Orkney.
 - There can be a further considerable delay between the work being undertaken and the invoice being issued by the supplier. Since the finance system recognises the expenditure only when invoices are issued, this can result in additional apparent underspends.
- 7.7 However, work undertaken by the Accounts Service looking at project spend across a number of years has identified that there is a degree of double counting for some projects, whereby a project is:
- a. allocated a budget in one financial year,
 - b. does not begin and therefore its budget is transferred to the contingency fund, and
 - c. the project is subsequently included in the maintenance programme and further budget is allocated in a later financial year.

During this work it was noted that changes in the description of the projects within the proposed programme of works made it more difficult to identify projects and track their related expenditure.

- 7.8 As at 31 March 2025, the balance within the contingency fund was over £4.6 million. As shown in Figure 2 below, the contingency fund has increased substantially over the past four financial years. Given that factors driving the underspends noted above are not always within the control of Marine Services, there is the potential for this pattern of yearly underspends to continue for at least the near future, unless addressed.

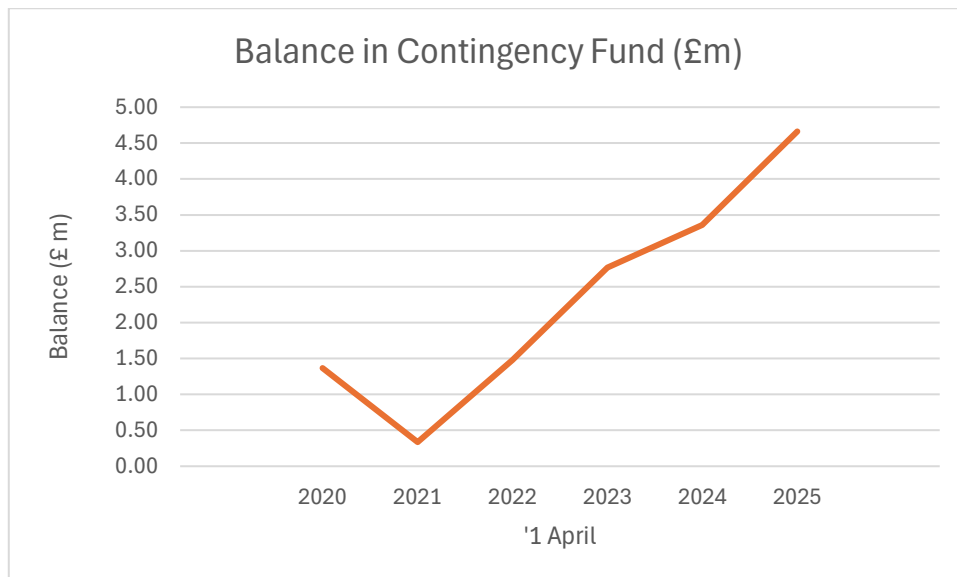


Figure 2: Balance in Miscellaneous Piers Property Maintenance Fund

- 7.9 With a substantial level of short to medium term expenditure required by repair issues recently identified (including that identified in paragraph 4.16 above), it is anticipated that this balance would be utilised and considerably reduced in the near future. Accordingly, we make no specific recommendations in respect of the reduction of this balance at this time.
- 7.10 We recommend that a specific project number should be allocated to each maintenance project, to allow Members a clearer picture of budget allocations and project expenditure year on year.

Recommendation 7

- 7.11 At present, as noted at paragraph 7.3 above, maintenance and repair expenditure is predicted on a year-by-year basis. Although officers have a good understanding of medium and long-term maintenance requirements, these are not formally captured in medium or longer-term expenditure predictions or plans.
- 7.12 Best practice would be to implement data driven asset monitoring, whether real time or by review of historical expenditure, which together with scoring of assets by criticality, failure impact, and likelihood, would facilitate prediction of future maintenance expenditure on a longer-term basis. This would allow cost predictions to be weighted by operational risk, not just age or usage. As a result, maintenance expenditure would be focussed on business-critical assets.
- 7.13 We recommend exploring the feasibility of a data-driven asset monitoring system, combined with risk analysis, which could support prioritisation of maintenance for business-critical assets.

Recommendation 8

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 A programme of traffic management plans are produced for all pier areas where passengers or visitors are likely to interact with vehicles, beginning with those piers with the highest risk, i.e. the piers with highest amount of foot traffic.	Medium	Quotation requested from consultants for producing traffic management plans	Port Safety Manager	30 June 2026
2 The port visitor management plan should be finalised and implemented, and that it includes a section on cruise ship passenger safety when in port.	Low	Agreed	Business Development Manager	31 December 2026
3 <ul style="list-style-type: none"> Policy and procedure documents should be incorporated into the asset maintenance programme to support a structured risk-based approach to asset management and inspection. Medium term plans, setting out SMART objectives for management and oversight of shore-based infrastructure should be drawn up and staff given targets and objectives in line with those plans 	Low	Agreed, as part of the development of the asset maintenance programme.	Marine Infrastructure Manager	31 December 2027

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>4.</p> <ul style="list-style-type: none"> Consideration is given to collaboration with the Safety and Resilience team to develop a system whereby attending specialist training provides staff with a 'credit' in respect of the relevant iLearn. Staff should be encouraged to complete outstanding training courses wherever possible. 	Low	Marine Service and Transportation will provide external training records for staff; these can then be looked at to see if relevant iLearn courses can be credited.	Port Safety Manager	30 September 2026
<p>5.</p> <ul style="list-style-type: none"> All premises have an appropriate fire risk assessment in place, with a streamlined template for low-risk sites. Evacuation risk assessments be undertaken at the smaller piers in the isles, and that, <i>if not already present</i>, <ul style="list-style-type: none"> a notice of emergency evacuation instructions and muster point should be put in place in all public waiting rooms), and publicly accessible safety equipment, such as life rings, should be installed. 	Medium	Contractor has been contacted in respect of conducting fire risk assessments for all buildings not having one in place, awaiting quotation.	Port Safety Manager	30 September 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>6.</p> <ul style="list-style-type: none"> Baseline inspections of all piers are carried out within nine months. A proposed schedule of future pier inspections with reference to the type of pier construction used should be formalised within the policy documents recommended at 3 above. Monitoring and reporting of compliance with the schedule should be introduced to minimise future slippage. 	Medium	<p>Agreed – this is part of the Harbours Masterplan</p> <p>Agreed, as part of the development of the asset maintenance programme.</p> <p>Agreed, as part of the development of the asset maintenance programme.</p>	<p>Marine Infrastructure Manager</p> <p>Marine Infrastructure Manager</p> <p>Marine Infrastructure Manager</p>	<p>30 September 2026</p> <p>31 December 2027</p> <p>31 December 2027</p>
<p>7.</p> <p>A specific project number should be allocated to each maintenance project, to allow Members a clearer picture of budget allocations and project expenditure year on year.</p>	Medium	<p>Proposed projects will be allocated a unique identifying number, following the same protocol used for engineering project numbers. This number will be included in the relevant documents presented to Members to allow them to track each proposed project.</p>	<p>Marine Infrastructure Manager</p>	<p>30 June 2026</p>
<p>8.</p> <p>Exploring the feasibility of a data-driven asset monitoring system, combined with risk analysis, which could support prioritisation of maintenance for business-critical assets.</p>	Low	<p>Agreed</p>	<p>Marine Infrastructure Manager</p>	<p>31 December 2026</p>

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 significant 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.