

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	MARINE SERVICES
AUDIT DATE	JUNE 2014

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Marine Services within Economic Development as part of the 2014/15 Internal Audit programme.

Marine Services has two main functions.

- The ownership and maintenance of Harbours and Piers. An objective of the service is to maximise income generation of the harbours and piers including their operational function and safeguard their future potential in relation to economic development and in particular renewable energy.
- The operation of four life line ferry services to Jura, Luing, Lismore and Easdale.

2. AUDIT SCOPE AND OBJECTIVES

The audit scope and objectives are to ensure Ferry services are operated in accordance with regulatory guidance including;

- Adherence to appropriate Maritime regulations and inspection /maintenance regimes;
- Adherence to Health and Safety directives;
- Appropriate controls are in place for collection and recovery of any income due, Ferry Fares and Berthing dues.

3. RISKS IDENTIFIED

- ORR: Failure to ensure local authority marine services meet the needs of communities.
- ORR: Adequate response to regulatory authority inspections e.g., Maritime & Coastguard Agency (MCA).
- ORR: Assets maintained to meet customer and community needs and regulatory body requirements.
- Audit: Increasing Maintenance Costs / Age of vessels.
- Audit: Failure to collect income due.

4. AUDIT OPINION

The level of assurance given for this report is Limited.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

<p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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5. FINDINGS

Health and Safety

- Observations of ferry operations showed that not all ferry operatives were wearing the appropriate Health and Safety statutory Personal Protective Equipment (PPE).
- Safety and Emergency instructions for passengers, Life jacket and muster stations were all in evidence on board the ferries.
- On entering and exiting the ferries the ropes were either not attached to the slip (held) or attached loosely over a hoop fixed to the slipway.

Maritime regulations and inspection /maintenance regimes

- ASP Ship Management Ltd, operators of the Islay to Jura Ferry route and designated person ashore for the other routes, were asked by Marine Services to provide documentation for review. The information provided was found to be clear and complete. Documentation included:
 - Health, Safety, Security and Environment Policy;
 - Induction Record Safety Familiarisation sheet, and;
 - Staff manual (which includes a Schedule for Safety Surveys and checklists).
- ASP Ship Management Ltd, supplied additional documentation including:
 - Monthly records of safety/maintenance inspections of vessels;
 - Incident logs;
 - Emergency drills, and;
 - Hours of rest records maintained monthly by crew members.

These were all found to be in order.

- The upkeep cost of the four ferry routes has fluctuated over the past three years, but the general trend is that costs are increasing on an annual basis in line with the age of the vessels. See graph at Appendix 2.
- The crossings are exempt from the EU directive which governs the recording of passenger numbers due to the geography and length of crossing, however the Scottish Government requests figures on an annual basis. It was confirmed that the ferries contain a black box to record passenger numbers.

Ferry Fare and Berthing, Income and cash handling

- There are no payment card facilities on the three council run services.
- Cash was accepted for foot passengers and a ticket was issued on the Luing Ferry. No ticket or receipt was issued on the Easdale ferry.
- Written cash handling procedures have not been supplied. A process for collection and banking of cash from the three council run ferries is in place, however the Council's Financial and Security regulations state in paragraph 7.46 that "Every transfer of money from one member of staff to another must be recorded in the appropriate departmental records by the signature of the receiving officer". No evidence of this taking place has been provided.
- Procedures were reviewed regarding Berthing, income and billing these were found to be clear and adhered to. Berthing fee records, user numbers and income figures were followed for April 2014, from receipt of figures to debtor's bills and payment. Debtor's bills were found to be issued on a timely basis and clear records of user numbers are available.

Timetabling

- The Argyll and Bute Council website has a section for ferry travel which includes links to the timetables on the Caledonian MacBrayne website. There is also a Ferry fares page on the Council website but this is difficult to locate and there is no link from the timetable page.
- Timetables were clearly displayed at the locations visited. The Luing Ferry ran on time during observations. The Easdale ferry has scheduled sailings during peak commuting periods with an on demand service for the remainder of the service. It was observed that the ferry did not arrive at a scheduled sailing time.
- During the “on demand” period there is a requirement to press a call button, however the instructions for the use of the call button at were not clearly explained or displayed.

6. CONCLUSION

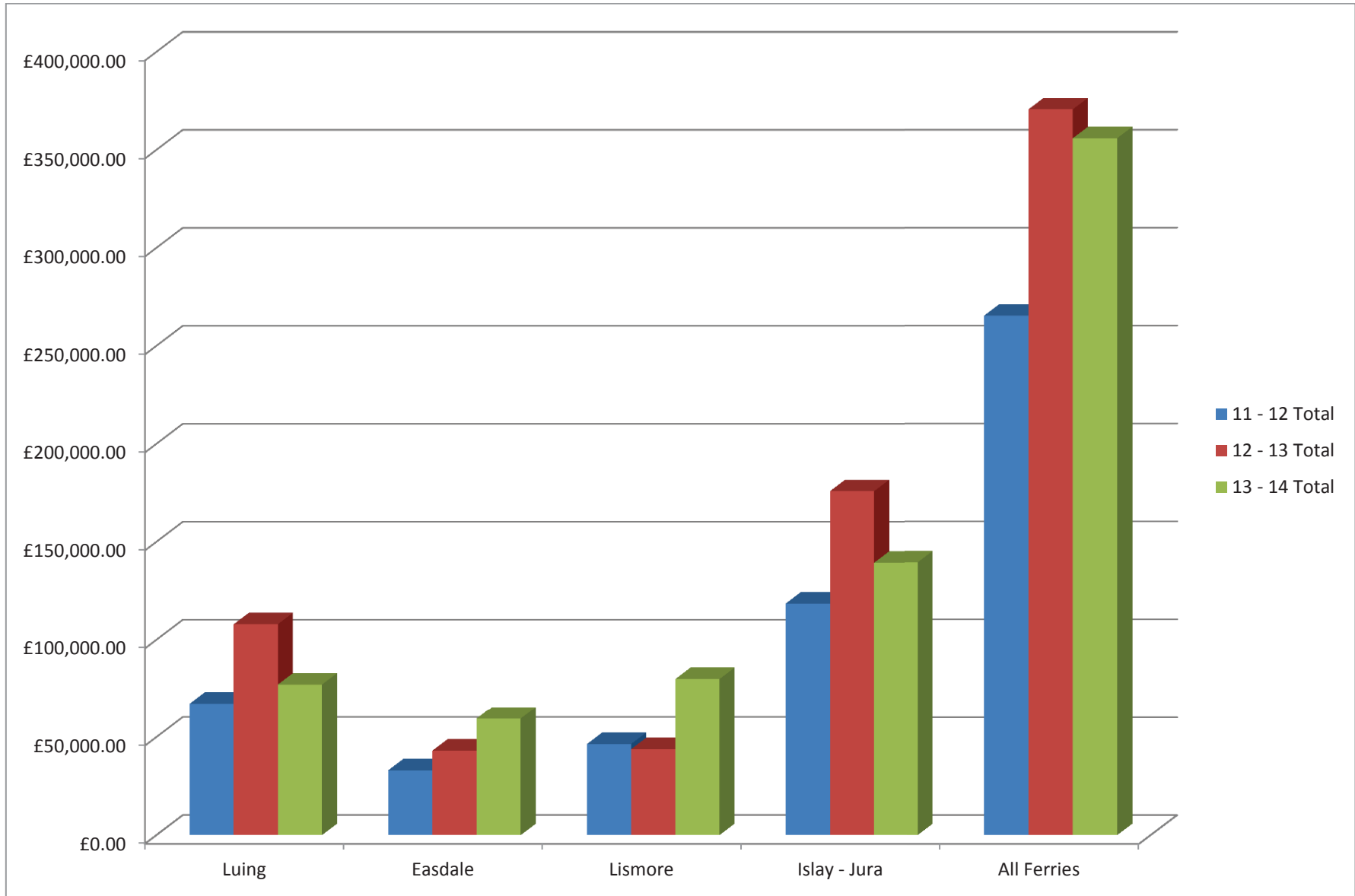
This audit has provided a Limited level of assurance. There are a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1. There are two high and three medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There are two low recommendations which are not reported to the Audit Committee. Appendix 1 sets out the actions management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating High/ Medium or Low	Agreed Action	Responsible person agreed implementation date
1. Personal Protective Equipment				
Not all ferry operatives were wearing the appropriate Health and Safety statutory Personal Protective Equipment (PPE).	Risk of injury to staff and reputational damage.	High	ASP will issue reminder notices and/or carry out further training with all staff regarding Personal Protective Equipment.	Marine Standards Superintendent, ASP Ship Management Ltd 30 September 2014
2. Rope Handling and Berthing				
On entering and exiting the ferries the ropes were either not attached (held) to the slip or attached loosely over a hoop fixed to the slipway.	Risk of injury to staff and/or passengers.	High	ASP will issue reminder notices to all staff regarding their responsibilities with regard to rope handling and berthing.	Marine Standards Superintendent, ASP Ship Management Ltd 30 September 2014
3. Ticket Issuing				
Cash was accepted for foot passengers, no ticket or receipt was issued on the Easdale ferry.	Reputational damage. Incorrect passenger numbers are recorded.	Medium	Management to review ticket issuing protocols. Ferry staff should be reminded of ticket issuing procedures.	Oban Harbour Master 30 November 2014

4. Cash Handling Procedures				
Written cash handling procedures have not been supplied.	Cash is unaccounted for.	Medium	A written procedure for the transfer of cash from all ferries will be drafted, agreed and implemented.	Marine Operations Manager 30 November 2014
5. Timetabling				
The Easdale ferry did not arrive as scheduled according to the timetable.	Non adherence to published schedule.	Medium	Roles and responsibilities of ferry staff should be updated and reissued, management to ensure staff are aware of timetable compliance.	Oban Harbour Master 30 November 2014

APPENDIX 2 UPKEEP COSTS FOR COUNCIL FERRY ROUTES, 2011 – 2014



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