



Internal Audit Report

Development & Infrastructure Services

Review of Fish Landing Dues & Other Harbour Income

November 2011

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1 INTRODUCTION

1.1 This report has been prepared as a result of the Internal Audit review of Fish Landing Dues and other harbour income as part of the 2010/11 Internal Audit Annual Plan.

1.2 Argyll Marine Services has 2 main functions being:

- The ownership and maintenance of Harbours and Piers, and
- The operation of 4 life-line ferry services to Jura, Luing, Lismore and Easdale.

This audit review has been restricted to the first of these functions, focussing particularly on fish landing arrangements.

1.3 An Argyll Marine Services review including detailed benchmarking exercises was made available to Internal Audit by the Strategic Transport Manager. This included a Business Development Plan which examined the outline business case for various elements that can be taken forward:

- To maximise income generation of the harbours and piers, and
- To safeguard their future potential in relation to economic development.

1.4 A schedule of Maximum Rates & Dues to be levied at Piers, Harbours and Ferry Slips, under the Harbour Act 1964, is prepared and approved by Council as part of the annual Revenue Budget.

1.5 Consideration is currently being given to introducing composite rate to replace berthing and fish landing dues as a means to resolving certain long-running disputes, with regard to the quantification and imposition of charges at all harbours. Fish landing dues are set currently at 2.5% of the value of the catch, which at present doesn't take into account the variation in facilities being provided at each pier or harbour.

2 AUDIT SCOPE AND OBJECTIVES

2.1 Our approach was designed to ascertain the basis and controls operating over the levying of fish landing dues and other harbour income, and the subsequent monitoring and collection of outstanding debts.

2.2 Our work was designed to confirm by review, interview and testing:

- The legal basis for levying charges at harbours,
- That on-going monitoring is built into the normal, recurring operating activities; and
- An appropriately detailed audit trail is maintained for all operation and control activities.

3 RISK ASSESSMENT

3.1 As part of the audit process the Council Risk Register was reviewed to identify any risks that potentially impact on this audit. The following risks were identified from the Strategic Risk Register on Pyramid:

- SR16 Failure to have a robust internal control process and system;

3.2 However, the over-riding Risk inherent in the above is the Financial Risk of failing to operate the harbours on a commercial basis and collect all potential revenues due.

4 CORPORATE GOVERNANCE

4.1 The only corporate governance issue arising from this audit relates to the on-going operation of discounts for timber operations beyond the 5 year term of the agreement without further ratification from the Council.

5. AUDIT OPINION

5.1 The Marine Service Review report has resulted in specific proposals being submitted to the Transformation Board. These include development of a collection and enforcement strategy for fish landing dues with further consideration of an appropriate composite fee basis, to cover berthing and landing dues.

5.2 Whilst we endorse the need to resolve the outstanding debt position for the Council, our report makes suggestions to assist in improving the enforceability of future debts,

6 RECOMMENDATIONS

6.1 There are 9 recommendations outlined in the Action Plan provided in Appendix 2, of which 3 are high priority and 6 of medium priority.

7 ACKNOWLEDGEMENTS

7.1 Thanks are due to the Marine & Airports Manager, the Strategic Transportation Manager, the Technical Officer, The Harbourmaster at Campbeltown and the Assistant Harbourmaster at Rothesay for their co-operation and assistance during the audit and the preparation of the report and action plan.

7.2 Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

7.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 5 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The legal enforceability of debts arising would be better substantiated if the schedule of rates and dues was more readily available to marine customers.	<i>High</i>	1.1 Consideration should be given to displaying laminated copies of the schedule of rates and dues at all piers, harbours and ferry slips where charges are to be levied.	Operations manager (marine and airports)	March 2012
		<i>Medium</i>	1.2 Consideration should be given to including the schedule of charges under a separate section within the Council's website, accessible under searches for marine berthing charges and fish landing dues.	Operations manager (marine and airports)	June 2012
2.1	The berthing charges for the Rothesay based boats continues to be charged at the rate appropriate to fishing boats paying additional landing dues which is lower than the normal commercial berthing rate.	<i>Medium</i>	2.1 Under the schedule of Rates & Dues the Council are entitled to charge the full commercial berthing fees on the fishing boats in Rothesay harbour as they are no longer making fish landings. This change in basis of charge should be notified to the fishermen as soon as possible.	Operations manager (marine and airports)	March 2012
2.2	There is an unresolved dispute in respect of landing fees in the period 1 April 2009 to 31 December 2010. During this period the landing fees were changed from a flat rate charge of £4 per landing to 2.5% of the value of the catch	<i>Medium</i>	2.2 As the outstanding landing dispute is a non-recurring situation, involving only four boats and circumstances pertinent solely to Rothesay harbour, we recommend that a designated official should seek to negotiate an early settlement with the fishermen to avoid loss of revenue to the Council or potentially excessive legal costs.	Operations manager (marine and airports)/Rothesay Harbour Master	April 2012

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3	It may be possible to make a Section 29 request, under the Data Protection Act 1998, to the Marine Scotland Compliance department of the Scottish Government for details of a fishing boat owner's fish landings.	<i>High</i>	A Section 29 request for information on a fishing boat owner should be drafted, if appropriate with the assistance of the Council's Data Protection Officer, to see if the debts arising can be fully quantified and legally pursued on a test case basis.	Operations manager (marine and airports)	December 2011
4.	Negotiations may be required with the fishermen who currently land at unmanned piers with basic facilities on Mull and Islay.	<i>Medium</i>	The Council should endeavour to build closer links with Fishing associations and Government bodies in the negotiations with the island fishermen to resolve a realistic composite fee basis taking into account local facilities.	Operations manager (marine and airports)	August 2012
5.	With the role of Area Manager having been abolished there is no regular interaction between the Administration function and the Harbourmasters. In addition, there is no clear audit trail to demonstrate that data notified to Administration does result in an invoice being raised, or indeed that all additional invoices have been raised by the harbourmasters for berthing or landing fees due to the Council.	<i>Medium</i>	5.1 Consideration should be given to implementing a register of berthing at each port which would record if an invoice has been issued and paid locally or if data has been supplied to Administration for them to raise an invoice. Data supplied to Administration should be supplied on pre-numbered forms so that a check can be carried out that all data has been received and there can be no potential revenue loss to the Council.	Harbour Master/ administration officer	July 2012

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
		<i>Medium</i>	5.2 Consideration should be given to providing the harbourmasters with details of all payment arrears arising at their port so that they can consider whether any berthing or landing restrictions should be applied to assist in the pursuit of debts.	Harbour Master/ administration officer	July 2012
6.	The timber operator is continuing to get the maximum 55% discount on charges under a five year tiered agreement approved by the Strategic Policy Committee in March 2002. The continuation of this maximum discount arrangement, which conflicts with the approved tiered rate, has not been formally ratified by the Council, and is not being offered to other dry bulk commodities such as wind farm goods.	<i>High</i>	The current discount arrangements being applied should be ratified by the Council at the earliest opportunity pending the preparation of a full business case.	Director of Development and infrastructure/ operations Manager (marine and airports)	June 2012