



**Comhairle nan Eilean Siar
Internal Audit Review
PIERS – MARINE FUEL
Final Report –2024/25-24**

24 May 2024

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
PIERS – MARINE FUEL**

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Management Response Received	24 May 2024
Final Report Issued	24 May 2024

Issued to:	
Chief Executive	Malcolm Burr
Chief Officer - Assets and Infrastructure	Calum Mackenzie
Harbour Master	Kenneth Morrison

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SECTION 1: EXECUTIVE SUMMARY

Introduction

1.1 The Report has been prepared following an internal audit review of Piers – Marine Fuel as part of the operational annual internal audit plan for 2023/24. The purpose of the Report is to provide an overview of the Comhairle’s arrangements for the operation and management of Piers – Marine Fuel. The scope of the audit included a review of the following objectives:

- There are robust arrangements for the regular and accurate billing of customers obtaining fuel at each facility;
- Customers accessing fuel are authorised and registered users and are in possession of an electronic key which identifies them as the bona fide users;
- All deliveries to each facility have been recorded on centrally held systems and a record available which identifies all fuel issued;
- There are appropriate arrangements in place with regards to formal mechanisms for overdue accounts and such action is taken within a reasonable timeframe;
- A reconciliation is undertaken at least twice yearly which reconciles fuel stock held against that received and disbursed and any differences are reviewed further;
- Safety arrangements are in place at each facility for the delivery of fuel;
- Security measures are in place when delivery is made to prevent unauthorised access; and
- The income stream is in line with inflation costs and has been considered as part of the budget strategy.

Background Information

1.2 The Comhairle provide marine fuel facilities across fourteen key piers in the Western Isles. The fuel is procured through the National Framework and supplied by Certas. The FUELLink fuel management system in place is operated by a unique key fob issued to each user and this controls the fuel disbursement and produces the data required to invoice accurately. The feature of the system purposefully reduces the hours and administration associated with controlling fuel at piers.

We identified a number of overdue invoices for marine fuel as part of our sample from January to March 2024 and in discussions with the section we have been advised that there is no debt recovery in operation at present due to the cyber-attack. The priority in the section currently is the raising of Council Tax bills. The Debt Recovery system will be prioritised as soon as this is possible.

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Concluding Remarks

- 1.3 Our detailed findings are included in the body of the Report. We would point out that the most significant issues arising from our review which require management attention are:
- Health and Safety guidance to be provided to all users of marine fuel pumps at Comhairle piers. (Med 1); and
 - Risk Assessments to be undertaken on the risks surrounding marine fuel pumps for deliveries and supply. (Med 2)

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SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

2.1 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the Comhairle if it should occur.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions and the number of recommendations in each rating.

Definition of recommendation	Grade	No.
Major weaknesses that could have a significant impact on the Comhairle if not addressed and contained urgently.	High	
Important issues relating to controls being absent, not operating as expected or could be improved.	Medium	2
The weakness is unlikely to have a material impact on the Comhairle. These are not critical but management should address.	Low	3

Where we have identified isolated exceptions in our sample testing, and we consider that they are unlikely to recur; and would have no significant impact if they should occur;

We have classified them as minor or trivial, discussed them with relevant officers and detailed them in Appendix C to the Report.

2.2 Based on the audit work carried out our overall opinion is that a **Substantial** level of assurance can be placed upon the control environment of the service/area under review.

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. **It should be noted that our findings and conclusions are based on the information made available to us at the time of our review.**

Internal Audit
Comhairle Nan Eilean Siar
Sandwick Road
Stornoway
Isle of Lewis
HS1 2BW

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SECTION 3 – FINDINGS, RECOMMENDATIONS AND ACTION PLAN

GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Medium 1	Health and Safety guidance is key at any facility where combustible materials are in use. We would have expected that an information pack would have been available outlining the responsibilities of the key holders and of the Comhairle in terms of Health and Safety and reporting mechanisms in the event of spillages, system failure etc.	The Harbour Master ensures that Health and Safety guidance specific to marine fuel is put in place at all the piers or provided to all users and evidence provided of receipt.	Briggs Environmental who are the Comhairle Tier 2 Oil Spill Contractor have agreed to provide training for users of the Comhairle fuel system. This is likely in the form of an instructional video which all key holders will be required to view as part of their access arrangements. In addition to the training Briggs will provide a Health and Safety Guidance document for users.	Harbour Master	December 2024
Medium 2	We are not advised if there has been a risk assessment undertaken at the fuel pumps and surrounding areas. There is an onus on the employer/responsible person to identify and assess the risks arising from the delivery, storing and dispensing of marine fuel as per the HASAW regulations.	A risk assessment should be undertaken initially at all the facilities which will inform the Health and Safety guidance.	There is a Risk Assessment for all piers included in the Oil Spill Contingency Plan. This is being updated and will form part of the Oil Spill Contingency Plan 2024-2029	Harbour Master	August 2024

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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Low 1	The Fuel at Fishery Piers Procedure Manual is in place for the procedures involved. There are several changes since the production of the original document and this requires to be addressed.	The Harbour Master arranges to update the procedures manual with a next review date with a version number to help identify the most up to date copy.	Agreed	Harbour Master	August 2024
Low 2	A marine fuel reconciliation was undertaken by Accountancy on a regular basis. As part of our checks, we were advised that there is no information available since the cyber-attack. A year end stock has been undertaken by the Harbour Master.	The reconciliation of marine fuel should be reinstated and undertaken by Accountancy staff to evidence that any discrepancies identified early are addressed.	Agreed	Harbour Master/Revenue Accountancy	Reinstated for June fuel invoicing
Low 3	Our testing identified that the Customer Care Assistant is responsible for the administration of the marine fuel processes. In the event that there was no cover available due to long term absence or the member of staff leaving the Comhairle the service may not be operational and would result in no income for the supply of marine fuel.	Consideration be given for training to be provided to an additional member of staff in the event of such eventualities in order that the operation can be run without disruption to the service.	An admin support apprentice post is being recruited to the Balivanich Office at present and similar to the previous post holder it is proposed that they be trained in the administration of the fuel system. The Harbour Master has suitable knowledge and experience of using the invoicing system to allow the service to continue to function should the member of staff not be available.	Harbour Master	July 2024

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT

Responsibility in Relation to Internal Controls

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors are to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

It is the responsibility of the Comhairle's management to consider the detailed findings of this Report, where such findings have a specific impact on risk registers. This may include a risk that has not yet been identified, or current risk controls which may be required to be updated to reflect any changes as a result of the findings contained in this report.

Responsibilities in Relation to Fraud and Corruption

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

DEFINITION OF AUDIT OPINIONS AND RATINGS

The standard definitions for internal audit assurance over an engagement are as follows:

Level of Assurance	Definition
Full Assurance	Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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APPENDIX C

ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION