

CONTRACT MANAGEMENT – AUDIT REPORTS.

1. SUMMARY

Internal Audit as part of the Annual Audit Plan for 2008 – 2009 carried out a Tendering Procedures audit in August 2008. The project selected was Argyll Air Services to complement the review of contract arrangements and subsequent report by the Council's external auditors Grant Thornton LLP UK. In consultation with Grant Thornton UK LLP it was agreed that both reports would be presented under the specific heading of Contract Management for ease of review by the Audit Committee. The reports produced by Internal Audit and Grant Thornton LLP UK are appended in Appendices 1 and 2.

2. RECOMMENDATIONS

2.1 The contents of both reports are noted and are to be followed up by Internal Audit.

3. DETAILS

3.1 The main findings generated by the internal audit report found that the tendering process in respect of the Argyll Air Services project complied with both Council and European Union (EU) procurement arrangements. There were lessons to be learned in the overall management of such a complex project. Further detail is provided within the report itself along with an agreed management Action Plan. (See Appendix 1).

3.2 A report prepared by Grant Thornton UK LLP covering contract management arrangements relating to the Argyll Air Services Project is attached in Appendix 2. The report findings cover 2 main areas Contract Design and Contract Management. The report makes 8 recommendations, of which 3 are categorised as high priority. In summary, the report concludes that the Council should review its capital planning and contract management procedures, in order to become more effective in the future.

4. CONCLUSIONS

Both reports are submitted to the Audit Committee for consideration.

5. IMPLICATIONS

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| 5.1 | Policy: | None |
| 5.2 | Financial: | None |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |

5.5 Equal Opportunities: None

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