



Internal Audit Report

FINAL

**Customer Services and Development and Infrastructure
Services**

Review of Capital Contracts Management

April 2010

1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Capital Contracts Management, in Customer Services and Development & Infrastructure Services as part of the 2010/11 Internal Audit programme.

Contract Management is an area that the Council's external auditors wished to review as part of their audit of the accounts for the financial year ended 31 March 2010. In order to avoid duplication it was agreed that this review would involve the following projects as selected by Grant Thornton the external auditors:-

- Tobermory Early Years Unit
- Mull and Iona Progressive Care Centre
- Tarbert STP Facility
- A818 Amenity site, Right turning Lane
- A849 Pennyghael Bridge, Mull

The Departments which will be involved in this audit are:

- Customer Services
- Development and Infrastructure Services

In particular the sections involved will be Facility Services and Roads and Amenity Services.

2 AUDIT SCOPE AND OBJECTIVES

The review concentrated upon the improvements made to the Council's contract management procedures in the last year and included:-

- Business planning and contract tendering
- Project management and monitoring
- Post project completion, financing and accountability.

Our review considered how the new arrangements were applied to the projects set out in 1 above. This was achieved by inspection of records and enquiry of management with particular emphasis on the date of actions to verify the systems and procedures in operation at those dates.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our Systems Based Auditing approach, we did not consult the risk register to identify any areas that needed to be included within the audit but set out to ensure that risk was fully addressed in business cases. The Asset Management Strategic Board (AMSB) requires Services to identify risks to Service, asset and project within each and every capital project business case and to detail mitigation action.

4 CORPORATE GOVERNANCE

The AMSB has included a review of corporate governance issues as they relate to asset management within its ongoing programme for 2010/11.

5 MAIN FINDINGS

Since June 2009 the Asset Management Strategic Board (AMSB) have achieved significant progress in the implementation of the gateway approach to capital project planning and while the projects reviewed were all conceived much earlier the influence of the gateway approach in determining priorities and how cost may be more accurately assessed could be seen in the review of these five projects.

6 RECOMMENDATIONS

One recommendation of medium priority was identified as a result of the audit. The recommendation is shown in the action plan below.

7 AUDIT OPINION

The auditor is satisfied that the improvements made to Council's capital programme procedures and their effect on contract management will be sufficient to minimise capital project risk.

Based on the findings we can conclude that, although the business gateway process is still in its infancy, improvements are forthcoming and should be measurable in Project Outcome Reviews when the first of these are carried out probably during 2010/11.

The Recommendation arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to the staff of Facility Services and Roads and Amenity Services for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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.

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 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	An asset sustainability project which incurred a net overspend of some 62% may have had the same outcome within the gateway process now implemented	Medium	Consider whether the gateway challenge process at IBC stage would be sufficient to mitigate such an over spend or whether an adjustment to the OBC threshold level is necessary to gain optimum efficiency.	Chairman, Asset Management Strategic Board	July 2010