



INTERNAL AUDIT SECTION

Isles of Scilly Link - Scillonian Project

2008/2009 Audit Report

FINAL

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CONTENTS

	Page
1. Management Summary.	3
2. Background.	5
3. Scope and Objective(s).	6
4. Field Work.	
4.1 Contract Documentation Processes.	7
4.2 Contract Tendering Processes.	9
4.3 Contract Accounting & Budgetary Procedures.	17
5. Findings and Recommendations.	20

1. Management Summary.

Internal Audit reviewed the contract documentation, tendering and budgetary control processes in place as linked to the Scillonian Ferry Procurement Project, since January 2008. The control areas covered were:

- That contract documentation is complete and accurate;
- That contract tendering processes are adequately controlled and documented;
- That contract accounting and budgetary processes enable management to accurately cost project expenditure incurred.

The standard of the contract documentation, tendering and budgetary control processes in place as applied to the Scillonian Ferry Project is considered 'Good' throughout and as a consequence no weaknesses in control have been identified and no recommendations made.

Contract Documentation Processes

The standard of the contractual processes as linked to the letting of the Phase One Harbour works at Penzance and St Mary's is considered good. It is noted that the harbours contract was awarded to Birse Coastal from 16/3/08 and was signed by both parties on 9/5/08. The contractual processes as instigated to date in respect of the vessel construction project is also of a high standard, but due to the poor response to the vessel construction tender this contract still remains in draft format until a shipbuilder is appointed.

Contract Tendering Processes

The Isles of Scilly Link Harbour Works Design and Build contract and the Ferry Construction contract were tendered as part of a multiple pre-qualification and main tender invitation process. A review of the tender data on file in respect of the Harbours contract, has confirmed that:

- Fully documented pre-tender / tender specification, receipting, evaluation and award data was available for audit purposes, which is considered to be of the necessary standard to support the contract letting process in place.
- In terms of the Vessel Construction contract, all contractor pre-qualification processes have been actioned and are considered to be of a satisfactory standard. All main tender specification and receipting processes have also been undertaken and supported by the necessary back-up data. Because only one Shipbuilder submitted a tender bid on the 22/9/08, it is expected that the vessel construction element of the project will be now be re-tendered in due course, once Route Partnership authorisation has been given.

Contract Accounting and Budgetary Processes

Comprehensively produced budgetary and accounting data is compiled by the P,T&E Group Accountant and remitted to the P,T&E Client / Budget Holder responsible for the Isles of Scilly Link contracts on a period basis. A review of the accounting data presented for audit purposes for the period to 31/8/08, has confirmed that:

- It is complete and comprises both a period produced Capital Monitoring report in both an overview and specific contract format, and a budgetary control report in a narrative format, to provide an overview of budgetary progress to date.

1. Management Summary.

Contract Accounting and Budgetary Processes (cont)

- Substantive SUN accounting data was on file for expenditure verification purposes, which reconciled to that documented within the reports reviewed.
- A comprehensive period by period budgetary monitoring process also exists, as actioned by the P,T&E Accountant responsible for producing the budgetary data and the Senior Project Manager responsible for the administration of the contract. It is noted that financial progress meetings take place each month between these two Officers, where budgetary data is discussed and verified, and any points of concern are progressed to a conclusion.

Overall Opinion: **Good**

No recommendations have been raised in this report.

Acknowledgement.

We would like to take this opportunity to thank all of the staff who assisted us in the course of this audit.

Audit Opinion and Recommendation Categories

To assist management we have categorised our audit opinion definitions and recommendation categories as follows: -

Audit Opinion Definitions (Sections 1):

Good - We found that there was a strong internal control which addressed the risks.

Needs Improvement - We found that there was no immediate problem. However, we have made recommendations to improve existing controls.

Poor - We found that control is weak and there is serious exposure to risk. We have made recommendations which should be implemented.

Audit Recommendation Categories (Section 5):

Severe - Major issues that we consider should be brought to the attention of senior management.

Moderate - Important issues that should be addressed by management in their areas of responsibility.

Light - Detailed issues of a minor nature that can be resolved by local management.

2. Background.

The sea-going vessels serving the freight and passenger needs of the Isles of Scilly are reaching the end of their operational life, (the passenger vessel is due to be de-commissioned by 2014). The current operator, the Isles of Scilly Steamship Company has stated that an opportunity exists for the Isles of Scilly Route Partnership, which includes Cornwall County Council, to deliver a vessel in the short term capable of significantly enhancing the level of service on the route, over that which could be delivered by the private sector on its own.

With this aim in mind a bid for Department of Transport (DfT) capital funding was submitted in 2006 and accepted by the DfT, with Cornwall County Council being designated the lead authority with regards to programme delivery. It is noted that the Government Office for the South West (GOSW) had prior agreed with the Partnership that the County Council has the necessary experience of developing bids for, and delivering, major transport schemes.

The total cost of the project currently stands at £41.5 million, made up of:

- A budget of £17.5 million for the vessel's construction, made up of £7 million of convergence funding and the acquisition of a prudential loan to the value of £10.5 million;
- A budget of £24 million for harbour re-construction works at Penzance and at St Mary's, funded entirely by the DfT.

To date a pre-tendering / tendering process has been instigated for the appointment of a contractor responsible for the harbour re-construction works and the vessel constructor. The contract notice for a vessel operator is due to be published shortly which is currently being reviewed by external Legal Council. The notice is also being reviewed by the EU for authenticity to ensure that EU laws are not being broken.

A competitive dialogue procurement process is being adopted which will enable CCC to discuss and develop a scope with a number of potential operators before seeking tender offers. The contract for the operator is expected to be between 8 to 12 years in length and must comply with Public Service obligations (PSO) as no PSO procedures are currently working on the route.

The audit is part of the 2008/09 planned programme allocation and is the first of a series of audits to be undertaken by Internal Audit Services in respect of the project. This report highlights the key aspects arising from a review of the contractual, pre-tendering and tendering processes linked to the Harbour re-construction works at Penzance and St Mary's and also the appointment of a ship constructor. A review of the linked period accounting and budgetary processes in relation to the project has also been undertaken. Future audits will review the appointment of a route operator, the monitoring of the harbours and vessel construction works processes to completion and the vessel commissioning processes in place, on completion.

3. Scope and Objectives.

Scope.

Interviews and testing were selected and directed so as to focus on the contractual processes currently in place as detailed in the objectives below, with visits to the P,T&E Design Consultancy Section at Threemilestone who have responsibility for project administration and control.

Objective(s).

The audit objectives were to review the selected contract processes presented, in order to provide assurance that each stage of the contract system has been accurately and comprehensively controlled. In particular to ensure that:

- Contract documentation is complete and accurate;
- Contract tendering processes are adequately controlled and documented;
- Contract accounting & budgetary processes enable management to accurately cost project expenditure incurred.

4. Field Work.

4.1 Contract Documentation Processes.

Audit Objective.

To check that:

- (i) The form of contract used is acceptable to the parties to the contract.
- (ii) Where there have been amendments to the conditions of a standard contract used, that these amendments are clearly indicated and signed by both parties.
- (iii) Where a non-standard form of contract is used, that all the sub-clauses chosen are clearly indicated and that all appendices are fully complete.
- (iv) The parties to the contract have signed the form of contract used, and that the contract specification is complete.
- (v) The Council's Legal Services Department has approved the form of contract used.

Record of Work Done.

(a) Penzance and St Mary's Harbours Contract

- (i) The Isles of Scilly Link Harbour Works Design and Build Contract for the Pre-Construction phase of the Project is in the form of a New Engineering Contract (NEC3) Professional Services Contract (June 2005 Edition), which contains clauses as related to an Option A - Priced contract with an activity schedule. The contract is acceptable to the parties to the contract.
- (ii) Volume 2 – Section D of the Tender Invitation document – (Contract Data Part 1 and 2) provides a list of all amendments / additions to be made to the contract clauses prior to signature. It includes in particular:

Amended Clauses:

Option Clause W1 - Dispute Resolution;

Secondary Option Clauses:

- X1 Price Adjustments;
- X2 Changes in the Law;
- X7 Delay Damages;
- X9 Transfer of Rights;
- X11 Termination by the Employer;
- X13 Performance Bond Amounts.

Additional Clauses

- Z1 Accuracy of the Contract;
- Z2 Price Adjustments;
- Z3 Conflicts of Interest;
- Z4 Staff Recruitment;
- Z5 Corruption Gifts of Considerations of Kind;
- Z6 Privacy Information;
- Z7 Data Protection Act 1998.

4. Field Work.

4.1 Contract Documentation Processes (cont).

Record of Work Done (a)(ii) (cont) .

- Z8 Freedom of Information Act 2000;
- Z9 Payment on Early Termination;
- Z10 Expenses;
- Z11 Dispute Resolution;
- Z12 Name of Parties;
- Z13 Risk Transfer - Weather and Tide.

Volume 2 - Section D of the Tender Invitation document is considered complete and complies with normal contractual requirements.

(iii) The contract as produced by CCC Legal Services is not in a non-standard format.

(iv) The winning contractor Birse Coastal signed the contract documents on the 9/5/08.

(v) The standard form of contract used together with the amendments and additions made was approved by the County Council's Legal Services Department during the period 24/4/07 to 25/10/07 prior to submission of the tender invitation documents to the short-listed contractors on 25/10/07.

(b) Vessel Construction Contract

(i) & (ii) The contract for the design and construction of a Ferry to carry passengers and cargo to operate between Penzance in Cornwall and St Mary's in the Isles of Scilly is in a non-standard format which was acceptable to the ship builder [REDACTED] the sole contractor submitting a tender bid on 23/9/08.

(iii) Volume 4 of the Tender Invitation Document - (Draft Contract) provides a copy of the contract prior to any negotiated amendments, deletions or additions. It includes in particular a series of clauses, schedules and annexes to define the contractual agreement in place. A review of the most important clauses within the contract has confirmed that they comprise of:

- Clause 2 - A description of the vessel requirements;
- Clause 3 - The class and regulation of the vessel;
- Clause 4 - Details of the design, construction, materials used and inspection programmes required;
- Clause 5 - Modifications or additions to the Specification if required;
- Clause 6 - Price, terms of payment and repayment guarantees;
- Clause 8 - Insurance and Indemnity Requirements;
- Clause 9 - Termination Procedures;
- Clause 10 - Trials and Performance;
- Clause 11 - Delivery and Acceptance;
- Clause 12 - Delays and Extensions of Time;
- Clause 13 - Guarantees;
- Clause 16 - Law & Arbitration;
- Clause 17 - Assignment of Contract;
- Clause 20- Entire Agreement and Amendments, together with:

4. Field Work.

4.1 Contract Documentation Processes (cont).

Record of Work Done (b)(iii) (cont) .

- Annex A - Outstanding Trials at Time of Delivery and Acceptance (List A);
- Annex B - Protocol of Delivery and Acceptance;
- Annex C - Variation of Contract;
- Annex D - Stage Payment Certificate;
- Annex E - Statement of Design Characteristics (List C);
- Annex F - Outstanding Items of Work at the Time Delivery and Acceptance;
- Annex G - Tender Documents;
- Annex H - Repayment Guarantee;
- Annex I - Collateral Warranty.

Volume 4 of the Tender Invitation Document is considered complete and complies with normal contractual requirements.

(iv) The contract will not be signed for the foreseeable future as the vessel construction project is going to be re-tendered due to the limited response to the tender invitation and the price quoted on the one bid received, which was considered excessive.

(v) The non-standard form of contract used was produced and approved by the County Council's Legal Services Department during the period to 3/6/08, prior to submission of the tender invitation documents to the short-listed contractors on 20/6/08.

Conclusion.

Good - No recommendations have been made within this section of the report.

4.2 Contract Tendering Processes.

Audit Objective.

To check that:

Specification of Tenders.

- (i) Contracts are tendered to firms without favouritism or bias.
- (ii) The tender documents specify whether or not standard Methods of Measurement have been employed in drawing up quantities.
- (iii) The tender documentation has clear instructions incorporating where feasible collection pages, and a summary page on which the total price is inserted
- (iv) The firms invited to tender either appear on the Council's / Agencies Approved List of Contractors, have been invited as part of a prior pre-tender invitation process, or as part of a general advertisement process via the EU.
- (v) A pre-qualification technical and financial appraisal of the contractor concerned has been instigated to ensure that the Council's / Agencies Standing Orders / Financial Regulations have been complied with.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Audit Objective (cont).

Receipt of Tenders.

(vi) The officers receiving the tenders are not involved in the preparation of the tender documents.

(vii) A register of tenders received is compiled, or a formal contractor tender receipt listing is kept.

Security of Tenders.

(viii) The custodian of the tenders is informed of the names of the contractors, the number of invitations to be received and the closing dates and time for the receipt of tenders.

(ix) All unopened tenders are kept in a fireproof safe/cupboard until the opening session.

Evaluation of Tenders.

(x) A register of tenders opened is compiled, for control purposes.

(xi) The designated officer who opens the tenders has not been involved in the tender process.

(xii) The tender is correctly priced / valued is free from error and pricing is carried out in a consistence manner.

(xiii) The tender amounts submitted are reasonable when compared to the tender estimate or in comparison to the winning tender submitted.

(xiv) The contractor has signed the form of tender, the tender document is complete and is free from qualifications / omissions.

(xv) A fully documented and tabulated tender evaluation process has been instigated to ensure that the best qualified and cost effective contractor / contractors for the services to be provided are identified.

Award of Tenders

(xvi) The lowest or 'best value' tender has been accepted after the tender evaluation process has been completed.

(xvii) The successful tender has been authorised and certified by a Senior Officer prior to tender acceptance.

(xviii) The successful tenderer has been notified of the contract award in a timely manner.

(xix) All unsuccessful tenderers have been informed in a timely manner.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done.

(a) Penzance and St Mary's Harbours Contract

Specification of Tenders

(i) to (iii) The Isles of Scilly Link Harbour Works Design and Build Contract for the Pre-Construction phase of the Scillonian Project was tendered as part of a multiple pre-qualification and main tender invitation process. The tender invitation document required the contractors to provide a priced contract with an activity schedule based on hourly rates for defined and listed activities, to arrive at an overall target price for the contract. The invitation document comprised four parts as follows:

Volume 1	Instructions for Tendering;
Volume 2	Forms of tender, agreement and bond / Contract data parts 1 & 2;
Volume 3	Employers requirements;
Volume 4	Supporting Information, which is considered complete and is to a necessary standard for tendering purposes.

(iv) & (v) The tender for the Phase 1 Harbour works contract forms part of a prior pre-tender / tender invitation process instigated by the Isles of Scilly Route Partnership and administered by a Senior Project Manager within P,T&E's Design Consultancy. It is noted that in September 2005 expressions of interest were invited for the harbour works and five contractors were short listed after a pre-tender invitation evaluation process was instigated.

Due to delays in the Department for Transport (DfT) funding approval process, an invitation to tender document was not issued until April 2007. Only three of the five preferred tenderers were invited, as two of the contractors had already withdrawn from the original tender shortlist prior to the tender invitation date. By the 11 June 2007 a further contractor had withdrawn and as a consequence a decision was then reached to re-tender the project.

An EU Contract notice was issued on 19/7/07 to seek further expressions of interest from contractors for the Harbours Design and Build contract. Five contractors responded and were provided with a pre-qualification questionnaire (PQQ) for completion and submission to the Client by 11/9/07. All five submissions received were in turn reviewed as part of a fully documented pre-qualification evaluation process that was instigated by suitably qualified Route Partnership Officers between the period 20/9/07 to 25/9/07.

All five submissions were vetted in terms of the contractors:

- Eligibility to tender and their financial standing;
- Technical capacity and competency; together with,
- Specific contractual and professional requirements,
- Equal opportunities and health and safety matters.

Of the five contractors submitting a PQQ, four were short-listed to proceed to the tender invitation stage and one was rejected due to the company's financial inability to undertake the project.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (a) (iv) & (v) (cont).

Pre-tender back-up data in the form of:

- A copy of the EU Contract notice;
- A copy of the five PQQ's received;
- The evaluation assessment sheets for each of the five Officers undertaking the evaluation; and
- A copy of the evaluation summary spreadsheet indicating the combined results of the financial and technical evaluation undertaken, were on file for control and review purposes.

The tender pre-qualification process as instigated is considered to be in compliance with normal pre-tender specification and evaluation requirements.

Receipt of Tenders

(vi) & (vii) Tender invitations were sent to the four short-listed contractors, Birse, [REDACTED] on the 25/10/07 together with a series of tender amendments on 12/11/07. The sealed tender envelopes were receipted on return from the contractors by the P,T&E Department on or before the 27/11/07 in compliance with current procurement guidelines. A register of tenders was maintained, which included a listing of four tender envelopes received which were notated as 'not opened'. The register contained the title of the tender, the closing date time, 27/11/07 at 1500hrs and the name of the authorised Officer, Nicola Yeates.

Security of Tenders

(viii) & (ix) A list of all expected tenderers was kept for control purposes. The sealed envelopes once received were kept in a secure environment within the Structures Office at Threemilestone.

Evaluation of Tenders

(x) & (xi) A fully documented tender opening pro-forma was kept for control purposes which included all necessary task header requirements, including the date and time of opening – 1530 hrs on 27/11/07, which was after the closing time for receipt of the tenders. It is noted that the opening document included the name of the four contractors submitting a tender bid and the names of the Officers involved in the tender opening process.

The tender envelopes were opened by an Officer from the CYP&F Directorate in the presence of the authorised P,T&E Officer, in compliance with tender opening segregation policies. Due to the value of the overall tender for Harbour works (£24 million) the CCC Portfolio Holder was invited to attend but declined to do so.

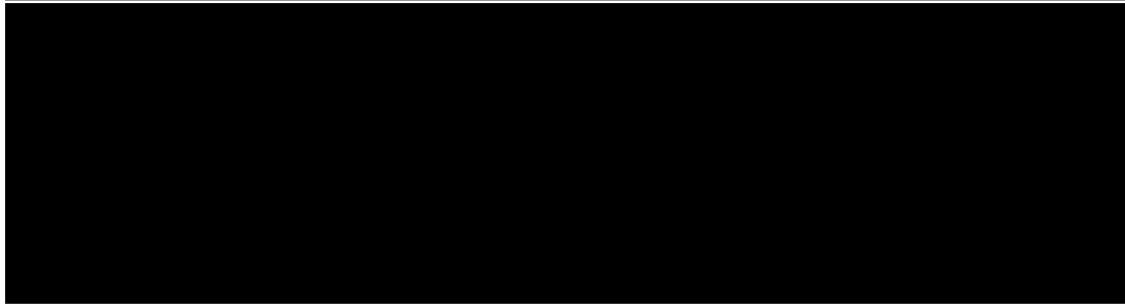
(xii) & (xiii) Contractors were asked to submit a tender containing a quality submission over a series of designated task headers and a financial submission split into a series of hourly rates for designated staff types.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (a) (xii) & (xiii) (cont).

In respect of the pre-construction phase of the contract, the financial submissions received were as follows:



Prior to the evaluation of the quality submissions, [REDACTED] had submitted the lowest financial submission which was within the estimated cost for the pre-construction phase of the contract.

(xiv) A review of the winning tender submission from Birse Coastal has confirmed that their tender had been fully completed and that they had signed Section A - 'Form of Tender' and Section B - 'Form of Agreement by Deed' on 22/11/07. Their tender was free from qualifications.

(xv) A fully documented tender evaluation process was instigated by five responsible Isles of Scilly Route Partnership Officers, including P,T&E's Senior Project Manager during December 2007 / January 2008. The evaluation process comprised both a quality and a financial evaluation of the tenders submitted, which was weighted in the proportion 80% quality, 20% price. As part of the quality evaluation process:

Each contractor was asked to provide details of up to three sites that the evaluation panel could visit to inspect the standard of workmanship, meet other Clients and sub-contractors / sub-consultants and witness how they worked together. A visit to a single site was undertaken and scores were assigned against a set list of questions asked. The contractors were also asked to attend an interview at CCC between 11th and 12th of December 2007.

As a consequence each quality submission was scored by the full panel. Any areas of weakness or confusion were noted and questioned at the interview. Each panel member then reviewed their quality scores following the interview and adjusted the score accordingly to arrive at their final quality score.

The hourly rates and the percentage fee were also tested in a financial matrix to determine the financial score for each contractor. The results of both the weighted quality and financial evaluations were then combined to arrive at a finalised score for each contractor. A check of the back-up evaluation data on file has confirmed that fully documented, financial and quality evaluation data was on file for review purposes both in an individual panel member and combined summary format, which had been both certified and authorised for control and review purposes.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (a) (xv) (cont).

The results of the combined evaluation, were as follows:



Award of Tenders

(xvi) As a consequence of the combined quality / financial tender evaluation process undertaken by the Isles of Scilly Route Partnership in December 2007 / January 2008, Birse Coastal was identified as the preferred contractor.

(xvii) A tender evaluation report was produced by the Senior Project Manager responsible for the Scillonian Project on the 22/1/08 to provide an overview of the tendering process in place, for Route Partnership Officer review purposes. Approval of the contract award was sought and obtained from the CCC Executive on the 5/3/08. Copies of both the evaluation report and the minutes of the Executive meeting were on file for control purposes.

(xviii) Birse Coastal were notified of the contract award on 6/3/08 by letter as produced by the Senior Project Manager. The contract award date was fixed at 16/3/08 to include the 10 day mandatory standstill period as required by the contract.

To further strengthen the award process and to comply with EU requirements a contract award notice was published in the supplement to the Official Journal of the European Union on 27/5/08 to confirm Birse Coastal's appointment as contractor to the Isles of Scilly Link Harbour Works Design and Build contract.

(xix) The three unsuccessful contractors were notified of the award by letter on 6/3/08. Copies of the letters sent were on file for control and review purposes.

(b) Vessel Construction Contract

Specification of Tenders

(i) to (iii) The Isles of Scilly Link Vessel Design and Construction Contract for the construction of a ferry to carry passengers and cargo was tendered as part of a multiple pre-qualification and main tender invitation process. The tender invitation document required the contractors to provide a price and a method statement for the construction of the vessel. The invitation document comprised five parts as follows:

- | | |
|----------|--------------------------------------------------------------------------|
| Volume 1 | Instructions for Tendering; |
| Volume 2 | Electrical, Hull and Machinery Specification and Tendering Instructions; |
| Volume 3 | Technical Schedule. |

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (b) (i) to (iii) (cont).

Volume 4 Draft Contract;
Volume 5 Technical Schedule, which is considered complete and is to a necessary standard for tendering purposes.

(iv) & (v) The tender for the vessel design and construction phase of the contract forms part of a prior pre-tender / tender invitation process instigated by the Isles of Scilly Route Partnership and administered by a Senior Project Manager within P,T&E's Design Consultancy. It is noted that on 7/12/07 expressions of interest were invited for the vessel construction works as part of an EU Contract notice published on that date.

Eleven contractors initially responded and were provided with a pre-qualification questionnaire (PQQ) on 21/1/08 for completion and submission to the Client by 11/2/08. Seven PQQ's were received as the remaining four constructors declined to submit a questionnaire. All seven PQQ's received were in turn reviewed as part of a fully documented pre-qualification evaluation process that was instigated by three suitably qualified Route Partnership Officers between the period 25/2/08 to 26/2/08.

All seven submissions were vetted in terms of the contractors:

- Eligibility to tender and their financial standing;
- Technical capacity and competency; together with,
- Specific contractual and professional requirements;
- Equal opportunities and health and safety matters.

Of the seven contractors submitting a PQQ, four were short-listed to proceed to the tender invitation stage. One was immediately rejected as the yard had no design or building capability whilst the other two were rejected due to their poor submissions which were deficient in many task areas.

Pre-tender back-up data was on file for control purposes, in the form of:

- An EU Contract notice;
- The seven PQQ's received;
- Technical evaluation assessment sheets for each of the three Officers undertaking the evaluation;
- A technical evaluation summary spreadsheet indicating the results of the technical evaluation undertaken over defined tasking questions;
- A financial evaluation as undertaken by a suitably qualified County Treasurers Department Officer in respect of the seven yards submitting financial data to support their PQQ. The evaluation was risk based and took into consideration the company's turnover, profitability and net current assets;
- A written overview summary of the submission evaluation process undertaken dated 28/2/08.

The tender pre-qualification process as instigated is considered to be in compliance with normal pre-tender specification and evaluation requirements.

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (b) (cont).

Receipt of Tenders

(vi) & (vii) Tender invitations were sent to the four short-listed contractors, [REDACTED] on the 16/6/08, together with a series of tender amendments on 26/6/08 and 5/8/08 respectively. The sealed tender envelopes were receipted on return from the contractors by the P,T&E Department on or before the 22/9/08 in compliance with current procurement guidelines. A register of tenders was maintained, which included a listing of the one tender envelope received. The register contained the title of the tender, the closing date time, 22/09/08 at 1530hrs and the name of the authorised Officer, Nicola Yeates.

Security of Tenders

(viii) & (ix) A list of all expected tenderers was kept for control purposes. The sealed envelope once received was kept in a secure environment within the Structures Office at Threemilestone.

Evaluation of Tenders

(x) & (xi) A fully documented tender opening pro-forma was kept for control purposes which included all necessary task header requirements, including the date and time of opening – 0930 hrs on 23/9/08, which was after the closing time for receipt of the tenders. It is noted that the opening document included the name of the one contractor [REDACTED] submitting a tender bid and the names of the Officers involved in the tender opening process.

The tender envelopes were opened by an Officer from CCC Legal Services in the presence of the authorised P,T&E Officer in compliance with tender opening segregation policies. Due to the estimated value of the tender for the vessel's construction (£17.5 million) the CCC Portfolio Holder was also in attendance.

(xii) & (xiii) Contractors were asked to submit a tender price for the whole of the construction works costs in relation to the four options stipulated within the tender invitation document. In respect of the one tender received, [REDACTED] submitted the following prices:

Option	Description	Tender Submission Value
1	Vessel with medium speed engines with an April 2011 delivery	[REDACTED]
2	Vessel with medium speed engines with a Builder's stated delivery date.	[REDACTED]
3	Vessel with high speed engines with an April 2011 delivery	[REDACTED]
4	Vessel with high speed engines with a Builder's stated delivery date.	[REDACTED]

4. Field Work.

4.2 Contract Tendering Processes (cont).

Record of Work Done (b)(xii) & (xiii) (cont).

It is noted that the costs submitted were on average [REDACTED] higher than the contract estimate of £17.5 million, which is considered excessive.

(xiv) A review of the tender submission from [REDACTED] has confirmed that their tender submission had been fully completed and that they had signed Volume 3, Section 3.2, Appendix 1 – 'The Tender Offer' on 19/09/08 to confirm that they would undertake and carry out work in accordance with the requirements of the contract. Their tender was free from qualifications.

(xv) Due to the limited bid response from the invited tenderers an overview of the [REDACTED] tender submission has been undertaken by the three nominated evaluation Officers, but a fully documented tender evaluation process will not now be instigated. A decision is being sought from the Isles of Scilly Route Partnership to re-tender the vessel design and construction contract, in as short a timescale as possible.

Award of Tenders.

(xvi) to (xix) The award process relating to the vessel construction contract is now on hold until such time as the contract is re-tendered.

Conclusion.

Good - No recommendations have been made within this section of the report.

4.3 Contract Accounting & Budgetary Procedures.

Audit Objective.

To check that:

(i) An adequate budget has been allocated for each contract, which has been formally approved, and that all cost headings are listed and evaluated.

(ii) The department regularly monitors financial performance to ensure budgetary target compliance, so that budget variations are identified and corrective action taken within the timescales permitted.

(iii) The Client Officers regularly meet with the Budget Holder to discuss and evaluate budgetary progress during the financial year.

(iv) Procedures have been produced to define budgetary control policies, and that such information is available to relevant staff.

4. Field Work.

4.3 Contract Accounting & Budgetary Procedures.

Record of Work Done.

Penzance and St Mary's Harbours Contract & Vessel Construction Contract

(i) & (ii) Comprehensively produced budgetary and accounting data is compiled by the P,T&E Group Accountant and remitted to the P,T&E Client / Budget Holder responsible for the Isles of Scilly Link contracts on a period basis. A review of the accounting data presented for audit purposes has confirmed the following:

- That the accounting data comprises a fully documented and period produced Isles of Scilly Link - Capital Monitoring Report in respect of the phase 1 harbour design works and associated vessel construction costs to date. Included within the report is a funding stream section which provides budgetary data in respect of income, budgeted and received from named Providers.

As an adjunct to this overview budget report there are two separate sub-reports pertaining to the harbours and the vessel individually, which are split into defined cost and income headers for the period in question and comprise the following:

Harbours

- Expenditure specifically budgeted and spent to date in respect of Penzance and St Mary's Harbours individually, and expenditure budgeted and spent to date pertaining to both harbours.
- Income budgeted / received from the DfT, Duchy of Cornwall, Penwith DC and CCC revenue funding.

Vessel

- Expenditure specifically budgeted and spent to date in respect of the vessel build and operation.
- Income budgeted / received from supported borrowing, grants and contributions.

In addition to the period produced monitoring report, a separate budgetary control report is produced in a narrative format, which provides an overview of budgetary progress in respect of the project to date, which also highlights cost areas needing further investigation. The report is certified and authorised by responsible P,T&E Accounting Officers prior to its submission to the budget holder.

A review of the monitoring report for the period to 31/8/08 has confirmed that it is complete, contains all necessary budgetary data and is supported by substantive SUN accounting data for review and authentication purposes. It is noted that the budgetary control report for the same period has been signed and dated for authentication purposes.

4. Field Work.

4.3 Contract Accounting & Budgetary Procedures.

Record of Work Done (i) & (ii) (cont).

As at 30/9/08, £448.574 had been expended in respect of the harbours and the vessel projects, against a budget of £1.665 million for the years 2007/08 & 2008/09 combined. This represents an expenditure of 26.94% of the budget at that date.

(iii) An ongoing contract budgetary monitoring process is instigated as part of a minuted Isles of Scilly Link financial meeting, held on a monthly basis between the Senior Project Manager and the P,T&E Accountant responsible for the Scillonian Project. A review of the minutes of the meetings held on the 11/8/08 and 10/10/08 has confirmed they are complete, contain all actions and the officer responsible for the action. As an adjunct to this process any meetings held with the DfT, Regional Development Agency (RDA) and other funders are attended by both these Officers when necessary, together with any other interested Route Partnership Officers.

(iv) The P,T&E Accounting Officers responsible for budgetary reporting have access to the CCC Financial Regulations document as produced by County Treasurers. A copy of the document can be found on the CCC Intranet for review and reference purposes.

Conclusion.

Good - No recommendations have been made within this section of the report.

5. Findings and Recommendations.

No recommendations have been made within this section of the report.