

<b>Meeting:</b>	Audit and Governance Committee
<b>Meeting date:</b>	11/03/2026
<b>Report of:</b>	Director of City Development
<b>Portfolio of:</b>	Cllrs Lomas Executive Members for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

## **Audit and Governance Committee Report: Contract management: major project delivery**

### **Subject of Report**

1. This report has been prepared to allow the committee to consider the contract management: major project delivery final audit report alongside external audit's 2024/25 audit completion report and the Key Corporate Risks Monitor 3.

### **Policy Basis**

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015, and the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).
3. In accordance with these standards, outcomes from internal audit work are presented to the Audit and Governance Committee.

### **Recommendation and Reasons**

4. The Audit & Governance Committee is asked to:
  - note the content of the contract management: major project delivery final audit report, redacted due to sensitive workforce information and sensitive commercial information.

- Review the progress in delivering the action plan developed in response to the audit

### Reason

*To enable members to consider the implications of internal audit findings (Annex A) and be assured that the action plan is being delivered.*

## **Background**

5. During 2024/25, Veritau commenced work on an audit of the council's contract management arrangements for its major capital projects. Work continued into 2025/26, following a request for additional work from the Director of Finance and to allow the council's Director of City Development to contribute to the audit.
6. On 16 January 2026, following discussions with senior management about the content of the report and actions to address identified weaknesses, the final audit report was issued.
7. A Limited Assurance opinion was reached. This means that Veritau has assessed there to be significant gaps, weaknesses or non-compliance. It also means that improvement is required to governance, risk management and control arrangements to effectively manage risks to the achievement of objectives in the area audited.
8. The purpose of the audit was to provide assurance that:
  - a) there is a contract brief which clearly set out the work required
  - b) meetings are held with the contractor to manage delivery of the project
  - c) there is a verification process to confirm that work is completed to the required standard and within timescale
  - d) invoices received are accurate for the work that has been done.
9. In order to provide this assurance, Veritau reviewed the main construction contracts relating to three projects. These were York Station Gateway Package 2 'Highways Scheme' (extant), Tadcaster Road (completed), and the Housing Delivery Programme (completed).

10. The focus of this audit was on how the main construction contracts for the three projects had been managed. However, in the case of York Station Gateway, we also evaluated officers' own review into the circumstances relating to the significant overspend and delays with the project. This was the additional work requested by the Director of Finance, mentioned in paragraph 5.
11. A total of four findings were made in the report. The key finding, and the one that led to the Limited Assurance opinion being reached, relates to York Station Gateway. Veritau assessed this finding as 'critical', meaning that it represents a fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
12. The York Station Gateway finding is made up of separate but interrelated parts, as follows:
  - a) entering the construction contract 'at risk', before legal agreements with statutory undertakers had been sufficiently progressed
  - b) costs incurred as a result of changes during project delivery
  - c) accuracy of financial implications in decision reports
  - d) project governance, and delivery and support capacity.
13. Taken together (at the time of the audit), the four areas outlined in paragraph 12 contributed most to the overspends and delays experienced with the York Station Gateway project.
14. The remaining three findings (one of which was assessed as 'significant' and two as 'moderate') related to inaccuracies in how York Station Gateway costs were presented in monthly project highlight reports, a lack of rigour in reviewing and approving the Tadcaster Road project brief, and inconsistency / unavailability of compensation event documentation.
15. Ordinarily, the outcomes from internal audits are presented as part of regular progress reports. However, the content of this audit report is relevant to other items the committee will consider during the current meeting. The external audit completion report and key corporate risk monitor 3 both contain reference to the council's management of major projects.
16. The redacted internal audit report (previously exempt) is contained in

Annex A to this report.

17. In response to this internal audit report Officers have prepared an action plan setting out the steps the organisation is taking to implement sufficient controls and reduce the risk of this happening again. The role of this committee is to receive updates on the delivery of the action plan attached (Annex B).
18. During the 28 January 2026 Audit & Governance meeting the committee were reminded that in July 2025, Executive approved an additional allocation of £18.5m for the station gateway programme (Packages 1 – 5), together with BSIP funding of £2.8m. This report also reviewed lessons learned from delivering the programme to that point which are included in that report.
19. Following a request from the Audit & Governance committee on the 28 January 2026 the Director of Corporate Development committed to returning in September 2026 to share progress on the delivery of the action plan.
20. As the Audit report reviewed an extant contract which is covered under an NEC 3 form A, due to achieve practical completion (PC) in Summer 2026, a period of commercial close will be required following the PC being achieved. Therefore, to mitigate the risks outlined below some of the detail in the report has remained redacted. The final outturn position of the Package 2 Highways works project can reviewed at a later A & G meeting if required.

## **Consultation Analysis**

21. No consultation was required in the preparation of the report. Responsible officers named in the internal audit report, and others, were consulted during its preparation. This was done as part of Veritau's usual practice for undertaking audit work.
22. Officers from City Development, Finance, Transport, and Programme assurance worked together to develop the action plan.

## **Risks and Mitigations**

23. Risk to Council reputation: the findings of the internal audit highlighted areas of significant concern potentially impacting the councils' reputation for delivering robust capital schemes to

mitigate this risk the action plan is underway and is designed to provide sufficient controls.

24. Risk to Budget: the internal audit report highlights how weak controls can lead to significant overspend, and how the establishment of a programme management assurance team, working closely with finance, will escalate financial risks before they materialise.
25. Risk of insufficient capacity/capability: a lack of an experienced team with the correct level of expertise will compound the issues identified in the report. The action plan identifies the planned recruitment and training required.
26. Risk of the Action Plan not being realised: there are a significant number of actions designed to mitigate issues highlighted in the internal report. If these actions are not completed the organisation remains at risk of significant programme management weaknesses. Progress against the action plan is monitored by the Director of City Development & Director of Finance through appropriate internal governance.
27. Risk to an extant Contractual/Commercial relationship: whilst the scheme is being delivered it is critical that the council is able to negotiate contractual arrangements in order to achieve best value for the taxpayer. Some the information contained in the report could be taken out of context and make it difficult to achieve best value.

## Contact details

For further information please contact the authors of this report.

### Author

<b>Name:</b>	Garry Taylor
<b>Job Title:</b>	Director of City Development
<b>Service Area:</b>	City Development
<b>Telephone:</b>	07701258247
<b>Report approved:</b>	Yes
<b>Date:</b>	27/02/2026

## **Background papers**

Link to Jan 26 A&G agenda [Agenda for Audit and Governance Committee on Wednesday, 28 January 2026, 5.30 pm](#)

Link to July 25 Exec agenda [Agenda for Executive on Tuesday, 15 July 2025, 4.30 pm](#)

## **Annexes**

Annex A: Contract management (major project delivery) final audit report (redacted)

Annex B: Action plan