Meeting:	Audit and Governance Committee
Meeting date:	16/09/2026
Report of:	Director of City Development
Portfolio of:	Cllrs Lomas Executive Member 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 provide the committee with the updated action plan which resulted from the Contract management: major project delivery final audit report 2024/25.

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:

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

      Reason

      To enable members to 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 the 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 the 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. 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 A).

15. 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.

Consultation Analysis

16. 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.

17. Officers from City Development, Finance, Transport, and Programme assurance worked together to develop the action plan.

Risks and Mitigations

18. 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.

19. 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.

20. 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.

21. 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.

22. 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

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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 March 26 A&G agenda
https://modgov.york.gov.uk/documents/s187694/Contract%20management%20major%20project%20delivery.html?CT=2

Link to July 25 Exec agenda
Agenda for Executive on Tuesday, 15 July 2025, 4.30 pm

Annexes

Annex A: Action plan