

55/05 - **INTERNAL AUDIT PROGRESS REPORT:** The Audit Manager, Harrogate Borough Council, submitted a written report which set out the findings and conclusions from a recent in-depth review of Internal Audit by the Audit Commission.

The Audit Manager referred to Appendix B attached to the report which set out the Action Plan from the Audit Commission report, "Review of Internal Audit" and referred to at Minute 54 above. The Audit Manager referred to recommendations 2 and 6 in relation thereto.

Councillor Clark referred to paragraph 4.4 of the report in relation to a potential lack of resources working within the Section as a result of two periods of maternity leave and queried why this had not been picked up by the original Audit Commission report or identified earlier as a risk. The Audit Manager (Harrogate Borough Council) confirmed that the current period of maternity leave had been known about in planning for 2005/06. Temporary arrangements had been put in place to provide additional support through the reallocation of resources from the former Leisure and Amenity Services Department. However, in the event these arrangements had not come to fruition, the Audit Manager (Audit Commission) commented that at the time the Audit Commission report was drafted in August, the resources position for Internal Audit had been identified and arrangements put in place to address the situation that was known at the time. The Audit Manager (Harrogate Borough Council) advised that work was in progress to put in place temporary cover arrangements for the second period of maternity leave commencing in February 2006. Members queried the impact upon planned audit work if the Audit Section was required to undertake any additional "special investigations". It was confirmed that the contingency provision in the plan had been exceeded to accommodate the special investigations undertaken to date but that additional time could be found from the planning and review provision if required. The Chair queried whether or not the Section would achieve its planned output for 2005/06 and the Audit Manager advised that the work anticipated to be undertaken by the Section and set out in the report was now largely complete or well under way.

Councillor Clark queried the independence of the Council's Internal Audit Section and a possible conflict of interest for the Audit Manager as a result of his position within the Department of Resources. It was noted that in many authorities Audit were placed within the Finance Departments on the basis of the Finance Director's Section 151 responsibilities. Harrogate was no different in that respect and in terms of independence, it was noted that the Audit Manager could report direct to the Chief Executive, should he so desire. Those rights were set out within the Council's procedure rules, and indeed the Charter for Internal Audit.

It was acknowledged by the Audit Manager (HBC) and Audit Manager (Audit Commission) that audit work covered more than just finance and financial systems and also took into account performance indicators, corporate governance and other areas of risk. Councillor Theakston queried the reporting arrangements for the Internal Audit Section and suggested that perhaps this should be the Council's Chief Executive and Leader, and queried with Julie Talbot whether the Audit Commission were happy with

the current reporting arrangements. Julie Talbot advised that the Audit Commission were indeed content with the current reporting arrangements in as far as the Audit Manager was able to report to not only the Director of Resources but the Council's Chief Executive and Audit Commission themselves, should there be such a need. Further, Harrogate Borough Council was considered to be typical of other authorities and it was accepted that this perceived conflict was unavoidable since the Audit Section would always require a department or director to report to.

The Executive Director (Corporate Policy and Improvement) also commented thereon and advised that the Council's Corporate Management Team were happy with the Audit Commission's report, and indeed the current reporting arrangements for Internal Audit.

(5.32 pm – 6.15 pm)