

PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Tuesday, 17 January 2012
(6:09 - 7:22 pm)

Present: Councillor D Rodwell (Chair), Councillor A S Jamu (Deputy Chair), Councillor L Butt, Councillor J Channer and Councillor D Twomey;

Also Present: Councillor R Gill and Councillor J R White

Apologies: Councillor T Saeed;

102. Declaration of Members' Interests

There were no declarations of interest.

103. Call-In on Budget Strategy 2012/13 to 2014/15

The Select Committee convened to consider a call-in by Councillors Twomey and Rodwell of the Cabinet's decision at its meeting on 14 December 2011 to delete the post of Divisional Director Assurance and Risk Management as part of the preparations for the 2012/13 Council budget.

Councillor Twomey introduced the call-in and referred to the main reasons behind it, which included that:

- A recent CIPFA report had recognised that a strong Head of Internal Audit post was needed more than ever to ensure that Members received objective assurances
- He remained unconvinced that the Council was in a sufficiently robust position to delete the post
- The Cabinet had overlooked recognised best practice in that the Head of Internal Audit post should, at least, be at Divisional Director level
- Cabinet and the Chief Executive had not fully recognised the critical and unique nature of the position when deciding on its deletion
- The splitting of the position's responsibilities amongst the three statutory officers would be a major impediment to delivering the Council's responsibilities for managing risk and ensuring that the whole organisation complied with legal, financial, and corporate policies and provisions
- The Monitoring Officer was currently shared with Thurrock Council and therefore would be unable to dedicate sufficient time to the extra responsibilities
- The post should be reinstated under the "invest to save" initiative on the basis that it would pay for itself longer term through increased anti-fraud and compliance activity
- Improved compliance would result in less money being lost through poor performance and the potential for fraud, meaning less cuts would have to be made now and in the future
- Retaining the post was vital during the current organisational change

In support of the Cabinet's decision to delete the post as part of the Chief Executive's senior management restructure, for implementation with effect from 1 April 2012, the Chief Executive made the following key points:

- It was the role of the Chief Executive to assess risk posed to the whole Council with the key area of risk being the protection of children and vulnerable adults, which was why a greater proportion of the budget savings proposals were from the more corporate areas of the Council structure
- The corporate management team and Cabinet were confident that the new arrangements that would be put in place would be sufficiently robust
- The proposed approach whereby the three statutory officers would assume the overall responsibilities of the post would not weaken the Council's position
- Internal audit functions generally report to the Divisional Director of Finance (or equivalent) in comparable Councils
- The Council's Corporate Risk Register had been successfully embedded and senior officers were using it correctly
- It was the responsibility of all Council staff to ensure compliance and the Chief Executive had recently discussed issues of compliance and the Risk Register with Divisional Directors
- The recent work of the Divisional Director Assurance and Risk Management meant that the Council's compliance position had progressed very well in recent years and a sound risk framework was now in place
- The Council was faced with difficult choices in achieving savings of £10m for the coming year and any decision to reverse the savings proposal would require savings to be identified elsewhere. It was noted that the deletion of the post would achieve a saving of £112,000, and not £118,000 as stated in the report
- The proposal had been through proper scrutiny and the correct decision-making process had been applied throughout
- Additional safeguards were in place in that it had been decided that the Deputy Leader would assume the role of "Risk Champion" within the organisation.

In considering the cases put forward, the Select Committee made a number of additional observations which included:

- That an independent and solely-dedicated officer was needed to ensure the Council continued to make progress
- It had received a number of reports over the past year which detailed poor compliance and the deletion of the post could have a significant impact on raising standards
- Diminishing senior capacity at the present time of major organisational change could be detrimental, particularly in view of the extra responsibilities recently assumed by the Chief Executive and Corporate Director of Finance and Resources

The Chief Executive responded to the Select Committee's comments and reiterated that the arrangements that would be in place in the future would ensure that the Council had robust assurance, compliance and risk management arrangements in place.

Having considered the cases put forward both for and against the call-in, the Select Committee **agreed**:

- (i) To uphold the call-in and refer the matter back to the Cabinet with the following proposals for an alternative course of action:
 - a. That the Cabinet rescind its decision and commit to maintaining the post of Divisional Director of Assurance and Risk Management for at least two years as the preferred option, or
 - b. In the event that the Cabinet considered it necessary to achieve some level of savings associated with the Divisional Director of Assurance and Risk Management post, that a shared arrangement with another Council, along the lines of the arrangement with Thurrock Council in respect of the shared Divisional Director of Legal and Democratic Services role, be implemented.
- (ii) That the Chief Executive provide a report detailing all the responsibilities of the Corporate Management Team.