

**REPORT TO: Performance Review & Audit Committee**

**DATE: 30 July 2007**

**SUBJECT: Committee Terms of Reference**

**SUMMARY:**

The attached report reviews the role of "Overview and Scrutiny" within the Committee's Terms of Reference.

**IMPLICATIONS:**

OPERATIONAL RISK	>	
COMMUNITY RISK	>	
TRAINING	>	
H.R	>	
FINANCE	>	<b>None identified</b>
I.T/COMMS	>	
EQUALITY & DIVERSITY	>	
HEALTH & SAFETY	>	
LEGAL	>	

**RECOMMENDATION:**

**That Committee:**

- receives the report and makes no amendment to the terms of reference at the present time
- agrees that the Wales Audit Office looks at member engagement and scrutiny as part of their future good practice work programme
- that a forward work programme of topics be established in respect of items considered suitable for scrutiny consideration

**BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT**

The Authority's Constitution  
Terms of Reference of the Performance Review & Audit Committee  
Local Government Act 2000

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**Report to  
Performance Review & Audit Committee  
On  
Committee Terms of Reference  
30<sup>th</sup> July 2007**

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**1. Introduction**

- 1.1 Following detailed consideration by the Modernisation Working Group, the Authority at its meeting held on the 21<sup>st</sup> May 2007 approved the new terms of reference of this Committee. These are attached as Appendix A for information.
- 1.2 Members will be aware of the extended role of the Committee when compared to that of its predecessor – the Performance & Policy Review Committee. The original terms of reference of the Performance & Policy Review Committee were framed primarily with a focus on both Best Value and Performance Management. With the development of the Wales Programme for Improvement and the increasing recognition of the role of an Audit Committee (or equivalent) as a critical component in the overall corporate governance process, the time was opportune to review such terms of reference and to reflect the changing environment within which the Authority operates.
- 1.3 In approving the revised terms of reference a query was raised as to whether there should be a greater emphasis placed on issues of overview and scrutiny within such terms of reference.

**2. Overview and Scrutiny**

- 2.1 Overview and Scrutiny Committees are well established in unitary authorities to discharge functions conferred by Section 21 of the Local Government Act 2000. Executive arrangements established by local authorities must include provision for the appointment of scrutiny committees with the following functions:
- 2.1.1 to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the executive;
  - 2.1.2 to make reports or recommendations to the authority or the executive with respect to the discharge of any functions which are the responsibility of the executive;
  - 2.1.3 to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are not the responsibility of the executive;
  - 2.1.4 to make reports or recommendations to the authority or the executive with respect to the discharge of any functions which are not the responsibility of the executive;

2.1.5 to make reports or recommendations to the authority or the executive on matters which affect the authority's area or the inhabitants of that area.

2.2 Typically therefore unitary authorities would embrace the following in their scrutiny committee terms of reference:

2.2.1. **Performance scrutiny of the Executive** - in relation to the efficient and effective exercise of functions against agreed standards, objectives and targets, including where set out in policies and plans being implemented by the executive;

2.2.2 **Conduct Improvement reviews**

2.2.3 **Scrutiny of Executive systems** – which deliver functions to see whether they are robust and are being observed.

2.2.4 **Pre-decision scrutiny** - through consultation by/dialogue with the Executive on policy, budget or other forthcoming issues, with attendance by relevant Cabinet Members as a standing arrangement, in order to provide evidence and information for the Overview and Scrutiny Committee, and to ensure the “executive” and “scrutiny” work constructively and inclusively together in the best interests of the Council and its communities. The pre-decision scrutiny of Cabinet and Cabinet Committee proposals may involve ensuring that policy and procedure has been complied with; assessing the likely impact or risk of a course of action; or questioning the values behind a recommendation. The process of scrutiny can also bring into question whether stakeholders have been adequately involved and whether their views have been properly taken into account. The pre-scrutiny should be on selective issues, both operational and financial.

2.2.5 **Post-decision scrutiny** - of Executive decisions or actions, with power also to “call-in” decisions not yet implemented under relevant procedures.

2.2.6 **Scrutiny of Executive policies** – evaluating existing Council policies and strategies as to their effectiveness/outcomes and community needs, recommending any proposals to the Executive; and also assisting the Executive in the development of new policies (as appropriate through specific member/officer groups). The foregoing in conjunction with the specialist Directorate Officers.

2.2.7 **General Overview and Scrutiny role** - to report as appropriate on matters of more general concern (including external issues) and which might link to the authority's powers to promote economic, social and environmental well-being

2.2.8 **Scrutinise Outside Bodies** – particularly those upon which the Council is represented.

### 3. Committee Terms of Reference

3.1 Within the existing terms of reference overview and scrutiny does play a significant role e.g.

Paragraph 7.3	<i>Committee will assist the Authority in its policy development issues relating to overall strategy, policy and co-ordination, and performance across all the Authority's functions</i>
Paragraph 7.4.2	<i>looking at areas of performance in need of improvement</i>
Paragraph 7.4.3	<ul style="list-style-type: none"><li>- <i>scrutinise the performance and improvement plan</i></li><li>- <i>scrutinise the operational assurance self assessment</i></li><li>- <i>scrutinise and recommend approval to the Authority of the joint risk assessment / improvement plan</i></li></ul>

- a. Accordingly, given the fact that the Authority does not operate under executive arrangements, it is considered that the above roles within the terms of reference cover the major areas of scrutiny required by the Authority when coupled with the audit, governance and performance management aspects of the Committee's role.
- b. However Members will however be aware of the Joint Risk Assessment work being carried out by the Wales Audit Office and which is reported on elsewhere on today's agenda. As part of ongoing discussions with the Wales Audit Office as to areas that could be covered as part of the "good practice work", it has been suggested that **member engagement and scrutiny**, linking in with other two Fire & Rescue Authorities in Wales, would be suitable future topic areas. Member engagement could be covered this year and scrutiny the following year. The timing of such a review would be opportune and would allow Committee time to develop its role under the new terms of reference.
- c. What would strengthen the scrutiny role however is to have a forward work programme for the forthcoming year which identifies specific areas to be scrutinised at each meeting. This is currently being developed by Officers and will be reported on at the next meeting after consultation with the Chair and Vice Chair.

### 4. Recommendations

**That Committee:**

- **receives the report and makes no amendment to the terms of reference at the present time**
- **agrees that the Wales Audit Office looks at member engagement and scrutiny as part of their future good practice work programme**
- **that a forward work programme of topics be established in respect of items considered suitable for scrutiny consideration**

## Appendix A

### **Performance Review & Audit Committee**

#### **Terms of Reference**

**7.1** The Authority has decided to appoint a Performance Review and Audit Committee as a means of demonstrating the Authority's commitment to efficient and effective deployment of public resources and the attainment of performance targets. Representation on this committee bears the same proportionality as the political composition of the whole Authority.

**7.2** The role of the Performance Review and Audit Committee is fourfold:

- i. Audit (both internal & external)
- ii. Performance Management
- iii. WPI
- iv. Risk Management

#### **7.3 General role**

- i. Within its scope, the Performance Review and Audit Committee will assist the Authority in policy development issues relating to overall strategy, policy and co-ordination, and performance across all of the Authority's functions; and the direction and use of resources

#### **7.4 Specific functions**

##### **7.4.1 Audit Activity**

- To commission work from internal and external audit and approve the respective annual plans and associated fees.
- To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Authority's corporate governance arrangements
- To consider summaries of specific internal audit reports as requested.
- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To liaise with Wales Audit Office over the appointment of the Authority's external auditor.
- To monitor Authority policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy.
- To approve and oversee the production of the Authority's Statement on Internal Control.
- To approve the Authority's annual Statement of Accounts and authorise the Chair to sign and date them.
- To consider the Authority's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice
- To consider the Authority's compliance with its own and other published standards and controls
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

#### **7.4.2 Performance Management**

- To develop and oversee the development of an appropriate performance monitoring framework
- To establish performance review systems and targets and ensure that they are implemented and monitored for use by the Authority
- To promote a focus on performance targets and the validation of the underpinning data.
- To advise on the setting of relevant performance indicators and targets in annual plans and corporate strategies
- To develop the Authority's scrutiny role in looking at areas of performance in need of improvement
- To ensure delivery of the Authority's Risk Reduction Plan's targets and results
- To receive all external reports on the performance of the Authority, consider and recommend to the Authority action plans relating to these reports and to monitor progress against approved action plans

#### **7.4.3 Wales Programme For Improvement**

- Scrutinise the performance and improvement plan
- Scrutinise the Operational assurance self assessment
- Receive and consider periodic reports from the Member Risk Reduction Planning group
- Scrutinise and recommend approval to the Authority of the joint risk assessment / improvement plan.

#### **7.4.4 Business Risk**

- Monitor the effective development and operation of risk management and corporate governance in the Authority
- Advise on the strategic processes for risk, control and governance

- Review any significant changes to the Business Risk Register