

**TITLE OF REPORT: PERFORMANCE, AUDIT AND REVIEW COMMITTEE – WORK PROGRAMME 2008/9****REPORT OF THE STRATEGIC DIRECTOR CUSTOMER SERVICES****1. PURPOSE OF REPORT**

- 1.1 This report asks Performance, Audit & Review Committee (PARC) to agree an outline work programme for its work during 2008/9 in order to ensure:
- the Committee's business reflects the Terms of Reference and that these are effectively discharged; (Note report on constitution will add Police committee functions);
  - that a clear direction is agreed in order to co-ordinate PARC's work with that of the Scrutiny Committee, and;
  - arrangements to assist in the development of PARC's function, the support needed for Committee business can be arranged at an early stage.
- 1.2 The work programme, once agreed, will be used to shape the Committee's agenda plan.

**2. FORWARD PLAN**

- 2.1 This Report does not recommend a key decision and has not been referred to in the Forward Plan.

**3. BACKGROUND**

- 3.1 The Terms of Reference for PARC are attached at Appendix A for information.
- 3.2 A draft work programme, attached at Appendix B, has been prepared for consideration pending the outcome of the Members to the Committee workshop.
- 3.3 Section 4 below details the main suggested areas of PARC's work programme together with a commentary on the likely constituent elements as a starting point for the Committee's discussions.

**4. PERFORMANCE, AUDIT AND REVIEW COMMITTEE DRAFT WORK PROGRAMME 2008/9**

- 4.1 It is envisaged that the work programme will provide the overall direction for the work of PARC during 2008/9, whilst making provision for ad hoc policy development, and the coordination of scrutiny arrangements through the roles of PARC and the Scrutiny Committee. In accordance with previous practice the anticipated work programme has been discussed by the Chairmen of PARC and Scrutiny Committee in order to minimise duplication.

4.2 The sections below detail the five suggested strands of PARC's work for 2008/9.

### **Performance**

4.3 Monitoring, reviewing and learning from information in the Council's Performance Management System will allow PARC to:

- Focus on under performing areas;
- Learn from and disseminate the best practice from areas of good performance;
- Monitor the overall performance of the council on behalf of Cabinet.

4.4 The principal constituent performance reports in this category are suggested below. Where changes to the work programme for 2008/9 are suggested a commentary is provided:

<b>Report</b>	<b>Frequency</b>
Corporate Performance Reports	4 per year
Ad-hoc Performance reports e.g. telephone call handling	4 per year
Target Setting Challenge/Approval	2 per year
Proposed High Level Indicators	1 per year
High Level Performance Reports	6 per year
Corporate Plan monitoring (including Improvement Plans) *	4 per year
Service & Financial Planning	3 per year

\* To reflect the incorporation of improvement planning in to the Corporate Plan.

### **Best Value/CPA/Improvement Planning**

4.5 The Committee will need to consider a revised programme for Fundamental Service Reviews, broadly following the priority improvement actions arising from District Audit reports, Peer Review work and other factors. Elements of Comprehensive Performance Assessment – the CPA Improvement Plan, and the continued development of the CPA and emerging CAA framework will continue to be monitored by the Committee via the Corporate Plan monitoring reports. FSR scoping and improvement reports will also continue throughout the year as needed.

4.6 The principal elements suggested for inclusion in this category are:

<b>Report</b>	<b>Frequency</b>
FSR Programme	1 per year
Annual Performance Report	1 per year
Performance Report Summary (included in tax leaflet)	1 per year
Organisational Development Strategy and Improvement Plans	2 per year
FSR Monitoring Reports	As required
Fundamental Service Review	2 per year
Fundamental Service Review Scope Reports	As required

\*\*Access to Services Fundamental Service Review – (final report at contract closure) 1

\*\* To reflect reduced project board arrangements reduced from 4

### Policy & Review

4.7 To identify specific action required to address particular policy issues and in response to specific external inspection and audit reports. The format of these 'reports' could remain flexible in order to consider using a workshop format, enabling more effective participation (and thereby informing Cabinet of the committee's considerations) and their role as an ongoing development opportunity for members.

Report	Frequency
Policy Development	4 per year
<ul style="list-style-type: none"><li>Partnerships/Governance/Scrutiny</li><li>Future CPA/CAA arrangements</li><li>Local Government Re-organisation</li><li>Local Strategic Partnership/Community Strategy</li><li>Local Area Agreements</li></ul>	
Chairman's Annual Report	1 per year

### References

4.8 To provide the opportunity to co-ordinate activity with the work of other committees, Cabinet and officers.

Report	Frequency
References from and to Cabinet, portfolio holders and committees	As required
Strategic Objectives – to receive a report from the Leader of the Council's priorities for the coming year and its performance in the previous year	1 per year

### Audit & Risk

Sections 4.9 – 4.12 reflect the Committee's responsibility for discharging the audit and risk function through an Audit & Risk Panel. A copy of the 'Terms of Reference' for the Audit & Risk Panel is attached as Appendix C for information.

4.9 To provide the Committee with an independent and objective opinion on NHDC's control environment comprising risk management, control and governance which indicates how successfully the organisation is achieving its objectives.

4.10 Under the risk management strategy this Committee has the role of overseeing the effective management of risk by officers. In effect this means agreement of the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management. The quarterly risk management reports support this function.

- 4.11 The CPA Use of Resources element relating to internal control requires that “*There is a specific member group (such as an audit sub-committee or member panel) which has audit and governance issues as the principal responsibility in its terms of reference, and that the member group provides effective leadership on audit and governance issues. It is proactive and has a forward-looking programme of meetings and agenda items to ensure comprehensive coverage of all responsibilities in relation to the internal control environment*”.

<b>Report</b>	<b>Frequency</b>
Progress reports from Audit and Consultancy Services	3 per year (6, 9 & 12 months) Including Annual report
Annual Internal Audit plan	1 per year
Audit and Consultancy Services and external audit recommendations – monitoring reports	As required
Report on the effectiveness of Internal Audit	1 per year
Risk management reports	4 per year (quarterly) Including Annual report
External audit reports	As required
External auditor’s annual Audit and Inspection plan	1 per year
External auditor’s annual Governance report	1 per year
External auditor’s annual Audit and Inspection letter	1 per year
Corporate response to external auditor’s report on the annual Audit and inspection letter	1 per year
External audit reports	As required
Corporate Governance activities	Bi-annual

- 4.12 Both audit and risk awareness training is required by way of structured sessions. Detailed training for the Audit & Risk Panel Members will be arranged as part of the Panel’s work programme.

## **5. LEGAL IMPLICATIONS**

- 5.1 An agenda plan for PARC will ensure that the Committee acts in a way, which is consistent with the duly agreed Terms of Reference for the Committee.

## **6. FINANCIAL AND RISK IMPLICATIONS**

- 6.1 There are no direct financial or risk implications arising from this report other than those relating to PARC’s role in assisting the Council and Cabinet in the development of its budget and policy framework as detailed in the Terms of Reference.

## **7. HUMAN RESOURCE AND EQUALITY IMPLICATIONS**

- 7.1 There are no direct human resource or equality implications arising from this report other than those relating to PARC’s role in assisting the Council and Cabinet in the development of its budget and policy framework as detailed in the Terms of Reference.

**8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS (if appropriate)**

8.1 Consultation has taken place with the Chairman and Vice Chairman and the Chairman and Vice Chairman of Scrutiny Committee.

**9. RECOMMENDATIONS**

9.1 That PARC consider the draft work programme attached as Appendix B and, subject to this, agree the programme for 2008/9.

**10. REASONS FOR RECOMMENDATION**

10.1 The recommendation contained within paragraph 8.1 is made in accordance with the Council's agreed Terms of Reference for PARC and will ensure that the Committee's agenda plan is consistent with them.

**11. ALTERNATIVE OPTIONS CONSIDERED**

11.1 N/A

**12. APPENDICES**

12.1 Appendix A: Performance, Audit & Review Committee Terms of Reference

12.2 Appendix B: Performance, Audit & Review Committee Draft Work Programme 2007/8.

12.3 Appendix C: Audit & Risk Panel - Terms of Reference

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**PERFORMANCE, AUDIT AND REVIEW COMMITTEE -TERMS OF REFERENCE**

The Performance, Audit and Review Committee will:

1. Assist the Council and the Cabinet in the development of its budget and policy framework by in depth analysis of policy issues;
2. Conduct research, community and other consultation in the analysis of policy issues and possible options;
3. Consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
4. Question Members of the Cabinet and/or Committees and officers about their views on issues and proposals affecting the area;
5. Review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the Committee and local people about their activities and performance;
6. Monitor the Council's Best Value Performance Plan;
7. Conduct Best Value reviews;
8. To receive reports from the Leader at its first meeting after each annual council meeting on the Cabinet's priorities for the coming year and its performance in the previous year;
9. To put in place a system to ensure that referrals from itself and the Scrutiny Committee to the Cabinet, by way of a report for reconsideration, are managed efficiently and do not exceed any limits set out in this Constitution;
10. In the event of reports to the Cabinet exceeding such limits, or becoming unmanageable in number to advise the Cabinet about the priority of referrals made;

**Membership, Quorum and Meetings**

The Performance, Audit and Review Committee will consist of 12 members of the Council, who are not Cabinet members. The Committee shall be politically balanced. The quorum for meetings of the Committee shall be three. In the event of a tie the Chairman will have a casting vote.

There will be 6 timetabled meetings of the Committee per annum.

## DRAFT WORK PROGRAMME

## PERFORMANCE, AUDIT &amp; REVIEW COMMITTEE 2006/2007, 2007/2008 &amp; 2008/9

Report	2006/07	2007/08	2008/09
<b>Performance</b>			
Corporate Performance Reports	4 per year	4 per year	4 per year
Ad-hoc Performance reports e.g. telephone call handling	4 per year	4 per year	4 per year
Target Setting Challenge/Approval	2 per year	2 per year	2 per year
Proposed High Level Indicators	1 per year	1 per year	1 per year
High Level Performance Reports	8 per year	6 per year	6 per year
Corporate Plan Monitoring (inc CPA Imp Plan)	4 per year	4 per year	4 per year
Service & Financial Planning	3 per year	3 per year	3 per year
<b>Best Value/CPA/Improvement Planning</b>			
FSR Programme	1 per year	1 per year 1 per year	1 per year 1 per year
Annual Performance Report	1 per year		
Performance Report Summary (included in Council Tax leaflet)	1 per year	1 per year	1 per year
Fundamental Service Review	1 per year	1 per year	1 per year
Organisational Development Strategy and Improvement Plans – Monitoring Reports & FSR programme		2 per year	2 per year
Fundamental Service Review Scope Reports	As required	As required	As required
Access to Services Fundamental Service Review (final report at contract closure)	4 per year	2	1
<b>Policy &amp; Review</b>			
Policy Development	6 per year	6 per year	6 per year
- Partnerships/Governance/Scrutiny			
- Future CPA/CAA arrangements			
- Local Government Reorganisation			
- Local Strategic Partnership/Community Strategy			
- Local Area Agreements			
Chairman's Annual Report	1 per year	1 per year	1 per year
<b>References etc</b>			
References from and to Cabinet, portfolio holders and committees	As required	As required	As required
Strategic Objectives – to receive a report from the Leader of the Council's priorities for the coming year and it's performance in the previous year	1 per year	1 per year	1 per year
PARC (5.6.08)			

## Audit & Risk

Progress reports from Audit and Consultancy Services	3 per year (6, 9 & 12 months) Including Annual report	3 per year (6, 9 & 12 months) Including Annual report	3 per year (6, 9 & 12 months) Including Annual report
Annual Internal Audit plan	1 per year	1 per year	1 per year
Audit and Consultancy Services and external audit recommendations – monitoring reports	As required	As required	As required
Report on the effectiveness of Internal Audit	1 per year	1 per year	1 per year
Risk management reports	4 per year (quarterly) Including Annual report	4 per year (quarterly) Including Annual report	4 per year (quarterly) Including Annual report
External audit reports	As required	As required	As required
External auditor’s annual Audit and Inspection plan	1 per year	1 per year	1 per year
External auditor’s annual Audit and inspection letter	1 per year	1 per year	1 per year
External auditor’s annual Governance report	1 per year	1 per year	1 per year
Corporate response to external auditor’s report on the annual Audit and inspection letter	1 per year	1 per year	1 per year
External audit reports	As required	As required	As required
Corporate Governance activities	Bi-annual	Bi-annual	Bi-annual

**Terms of Reference for Audit & Risk Panel:**

To assist PARC in its role discharging Audit and Risk Management functions by:

- a) Developing the annual and strategic internal and external audit plans;
- b) Reviewing internal and external audit's progress reports against the audit plan;
- c) Receiving and considering quarterly summaries of internal audit work undertaken, the status of current work and internal audit performance measures;
- d) Receiving and considering the risk register and risk management reports;
- e) Receive and consider all external audit reports, the annual plan and audit letter and develop responses to these;
- f) Receive, consider and respond in writing to the external auditor's report on the Authority's accounts (SAS610 report);
- h) Receive bi-annual progress reports regarding the Council's corporate governance activities;
- i) Monitor the implementation of internal and external audit recommendations;
- j) Reviewing and approving the Statement on Internal Control (SIC) including a review of the sources of assurance that support it, and monitoring performance against the SIC action plan.

Note: in agreeing these Terms of Reference (31 May 2007), PARC acknowledged that: In maintaining its responsibilities for audit and risk matters, the Terms of Reference for PARC were broadened as follows:

- To receive and consider reports from the Audit & Risk Panel and make recommendations to Cabinet and Council as appropriate.
- To consider the Audit Plan and an update of progress against the targets contained therein.
- To act as a forum for the District Auditor to bring issues to the attention of the authority, including specific reports and general items, in particular the Annual Management letter.
- To consider the Audit & Risk Panel's reports on the implementation of recommendations from Investigations and where necessary, specific reports.
- To monitor the authority's Risk Management Arrangements and make recommendations to Cabinet

## APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL

A suggested work programme for an Audit Panel, developed using the following statement of purpose as a framework:

### Statement of Purpose

'The purpose of an Audit Panel is to provide **independent assurance** of the adequacy of the risk management framework and the associated control environment, **independent scrutiny** of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process'

### CIPFA 'Practical Guidance for Local Authorities'

	Activity	Officer input	Frequency	Suggested Timing	Relationship with other committees
	<b>Risk Management</b>				
A	Assess the effectiveness of the Authority's risk management strategy and policy	Annual review and update report relating to the Council's Risk Management Policy and Strategy  <b>Responsible officer: Risk Manager</b>	Once yearly	December	PARC to recommend to Cabinet
B	Receive the annual risk management report and consider the effectiveness of the Authority's risk management arrangements	Annual report focussing on effectiveness of the risk management arrangements in place across the Council for the financial year  <b>Responsible officer: Risk Manager</b>	Once yearly	May	PARC to recommend to Cabinet
C	Monitor the Authority's risk management arrangements	Quarterly update reports on status of Top Risks and movement of risks into and out of Top Risk	Quarterly	February May September	Audit Panel to report exceptions to PARC to recommend to

**APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL**

		classification <b>Responsible officer: Risk Manager</b>		December	Cabinet
D	Seek assurances that action is taken on risk-related issues identified by auditors / inspectors	Report detailing progress against activities identified in a Risk Management Action Plan <b>Responsible officer: Risk Manager</b>	Quarterly or as required		n/a
<b>External bodies</b>					
E	Review external audit's planning memorandum	Planning memorandum <b>Responsible officer: Audit Commission</b>	Once yearly	May	n/a
F	Receive the external auditor's Annual Audit and Inspection letter and contribute to the Council's response	SAS 610 Annual Audit Letter <b>Responsible officer: Audit Commission</b>	Once yearly Once yearly	September December	Panel to report response to PARC
G	Consider the reports of external audit and monitor management action in response to issues raised by external audit	Monitoring / progress report <b>Responsible officer: Report recipient</b>	Quarterly or as appropriate		Panel to report to PARC as required.
H	Consider the reports of external inspection agencies and monitor management action in response to issues raised by external audit	Monitoring / progress report <b>Responsible officer: Report recipient</b>	Quarterly or as appropriate		Panel to report to PARC as required
<b>Corporate Governance</b>					
I	Consider and assess the processes	Annual report detailing process	Once yearly	May	n/a

## APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL

	in place to support the production of the Statement on Internal Control	followed in the production of the Statement on Internal Control including the draft Statement itself  <b>Responsible officer: Chair of the Corporate Governance Group (CEO)</b>			
J	Monitor progress against the Statement on Internal Control improvement plan	Quarterly report detailing progress against the SIC improvement plan  <b>Responsible officer: Chair of the Corporate Governance Group (CEO)</b>	Quarterly or as appropriate		n/a
K	Assess the effectiveness of the Council's Corporate Governance arrangements and associated policy and strategy documents	Annual assessment report  <b>Responsible officer: Chair of the Corporate Governance Group (CEO)</b>	Once yearly	May	n/a
L	Monitor any improvement plan emerging from the assessment of the Council's corporate governance arrangements	Monitoring / progress report  <b>Responsible officer: Chair of the Corporate Governance Group (CEO)</b>	Quarterly or as appropriate		n/a
<b>Internal Audit</b>					
M	Approve (but not direct) internal audit's strategy	Report detailing direction of internal audit for coming financial year  <b>Responsible officer: Audit Manager</b>	Once yearly	February	n/a
N	Approve (but not direct) the coverage of the internal audit plan	Report detailing internal audit coverage for the for coming financial	Once yearly	February	n/a

**APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL**

		year and suggested coverage for the two subsequent years  <b>Responsible officer: Audit Manager</b>			
O	Monitor internal audit's performance. Review summary internal audit reports and the main issues arising there from, seek assurance that action has been taken where necessary and approve any proposed significant changes to the agreed annual audit plan	Update reports  <b>Responsible officer: Audit Manager</b>	6 monthly 9 monthly	December February	n/a
P	Receive the annual report of the Audit Manager	Annual assurance report  <b>Responsible officer: Audit Manager</b>	Once yearly	May	n/a
Q	Assess whether adequate skills and resources are available to provide an effective audit function, ensure that there are effective relationships between external and internal audit and that the value of the audit process is actively promoted	Annual assessment of the effectiveness of internal audit, its working practices and its relationships  <b>Responsible officer: Chair of Audit Panel</b>	Once yearly	May	n/a
	<b>Financial Management</b>				
R	Review the financial statements	Annual assessment of the Council's accounts  <b>Responsible officer: CFO</b>	Once yearly	May	Cabinet / Council
	<b>Other</b>				

## APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL

S	Review terms of reference and the effectiveness of the audit panel	Annual report detailing effectiveness of audit panel and detailing improvement plan as appropriate  <b>Responsible officer: Chair of the Audit Panel</b>	Once yearly	May	PARC
T	Monitor implementation of the 'Effectiveness of the Audit Panel improvement plan'	Quarterly update report  <b>Responsible officer:</b>	Quarterly or as appropriate		PARC

### Structure and Administration

Although no single model of Audit Committee/Panel is prescribed all should be:

- Independent of executive and scrutiny functions
- Have clear reporting lines and rights of access to other committees and other strategic groups
- Meet regularly - about four times a year
- Meet separately with the external auditor and Audit Manager
- Include as regular attendees the CFO or deputy, Audit Manager, external Auditor and Monitoring Officer for standards issues
- Invite relevant portfolio holders, e.g. Finance and Risk
- Be properly trained to fulfil their role

## **APPENDIX D: A SUGGESTED WORK PROGRAMME FOR AN AUDIT PANEL**

### **MEMBER TRAINING PROGRAMME – AUDIT COMMITTEES**

#### Corporate Governance, Roles and Relationships

- Principles
- Good Governance

#### The Control Environment

- The essential elements
- Systems and procedures

#### The Audit Committee

- Membership
- Operations
- Principles
- Remit
- Support

#### Risk Management

- Overview
- Role of committee

#### Scrutiny and Challenge

- Internal and External Audit
- The accounting year

#### Internal audit

- Roles and responsibilities of internal audit

#### External audit

- Roles and responsibilities of external audit

#### Financial Management

- Local government finance
- Treasury management?