

This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Scrutiny Panel

10 March 2022

Subject: Financial Governance

Cabinet Member: Cllr Mary Maguire, Cabinet Member for Finance

Executive Director: Fay Hammond, Executive Director for Resources

Key Decision: No

Purpose of Report

1. This report provides an overview of the Council's governance arrangements.

Relevance to the Council Plan

2. Effective governance arrangements support the three objectives of the Corporate Plan.
 - a) Good homes in well-connected neighbourhoods.
 - b) Build our Economy to create a thriving place.
 - c) Sustain Strong and healthy Communities.

Background

3. There are a number of frameworks and processes in place to provide assurances regarding financial governance. This is a key role for the General Purposes Committee who carry out the role of the Audit and Risk committee function.
4. This report sets out these frameworks and processes which may inform the work programme of the F&P for future meetings to dovetail with the GPC future workplan.
5. This includes:
 - Financial and governance framework policy requirements
 - The internal audit framework
 - The annual governance statement which is audited by external auditorIn addition, the CIPFA FM review will consider financial governance as part of its remit.
6. The F&P have previously received reports covering key areas of assurance: financial governance in including public interest reports findings for local authorities in financial difficulties and company governance.

Financial and governance framework policy requirements

7. The CIPFA FM guidance describes “a framework for governance and internal control is a cornerstone of the authority’s ability to operate effectively”. Key elements of the suggested framework include:
 - a. Constitution
 - b. Governance structure
 - c. Terms of reference
 - d. Conduct of meetings
 - e. Scheme of delegation
 - f. Robust processes and controls
 - g. Partnership governance
8. The Council has a clear governance framework in place as set out in the Constitution and associated documents such as the Finance Regulations, Scheme of Delegation, Terms of Reference. These documents were reviewed in February 2020.
9. Further assurance on the effectiveness of these arrangements is supported by the Audit Plan which reviews all key financial systems based on risk. The actions are monitored via the GPC regular reporting. In addition to the Assurance Board (strategic level) and Finance Improvement Board (operational level) hold officers to account to deliver the audit actions.

The Internal Audit Framework

10. The CIPFA guidance recommends the authority seek assurance that its governance and internal control arrangements are operating effectively and that those responsible for the effective operation of these arrangements are held accountable. Some suggested ways to achieve this are:
 - a. Internal audit
 - b. Head of internal audit
 - c. Internal audit planning, reporting and resourcing
 - d. Risk management
 - e. Audit committee
11. The General Purposes Committee considers the audit plan at the start of the year, regular and comprehensive updates on the Internal Audit and Risk throughout the year. This includes monitoring of audit outcomes and progress of actions taken. The Annual Report, presented at the June 2021 Committee, reported that, “there is Reasonable assurance over the arrangements for governance, risk management and internal control in the London Borough of Enfield”.
12. The review of the effectiveness of the role carried out by the General Purposes Committee was carried out by CIPFA and reported in January 2022. As part of this review, CIPFA undertook assessment of the GPC against the CIPFA self-assessment of good practice from the CIPFA “Practical Guidance for Local Authorities and Police,” 2018 edition. CIPFA can provide assurance that the operation of the GPC works well, recognising that there are, nonetheless a number of recommendations.

Annual Governance Statement (AGS)

13. The Accounts and Audit Regulations 2015 cover internal control, financial management, financial reporting and internal control. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require all local authorities in England to each financial year:
 - a. Review the effectiveness of the system of internal control
 - b. Prepare an Annual Governance Statement
14. Local authorities are required to prepare an annual governance statement to report on the extent to which they comply and providing details of the review of governance that has taken place, including the role of the governance structures in place. The Delivering Good Governance in Local Government Framework, CIPFA and Solace 2016 is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is *“to ensure resources are resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”*.
15. The final 2020-21 Annual Governance Statements were considered at the General Purposes Committee meeting, where a number of changes and improvements were made including:
 - a. Expanded and re-formatted the introduction to more clearly align the statement with The Delivering Good Governance in Local Government Framework, CIPFA and Solace 2016
 - b. An overview of the review of governance arrangements, with details included for each principle from the Framework including the governance structures involved
 - c. A separate section was included specifically on Covid-19 risks
 - d. A section was added on the Internal Audit Plan and Actions
16. The AGS was reviewed at the GPC on 4th August 2021.

Conclusions

17. This report sets out key financial governance framework that is in place. CIPFA FM review outcomes includes financial governance theme and will support continuous improvement and review of our financial governance arrangements.

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