

## **London Borough of Enfield**

### **General Purposes Committee**

**19 January 2022**

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**Subject: CIPFA Review Action Plan**

**Cabinet Member: Cllr Tim Leaver, Cabinet Member for Finance & Procurement**

**Executive Director: Fay Hammond, Executive Director for Resources**

**Key Decision: No**

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#### **Purpose of Report**

1. This report provides an update on the recommendations from the CIPFA review of the General Purposes Committee (GPC), overview of the updated guidance on the role of the Audit Committee and proposed actions in response.

#### **Proposal**

2. The General Purposes Committee is recommended to note and comment on the report.

#### **Reason for the Proposal**

3. In September 2021, Enfield commissioned CIPFA to undertake an independent review of the General Purposes Committee against the 2018 CIPFA Audit Committee Good Practice Guide. The review was intended to review the operation and effectiveness of the committee in response to feedback from the committee and following discussions between the Section 151 Officer and the Chair of the committee.
4. CIPFA presented the detailed report on the review and recommendations to the GPC meeting on 13 January 2022.
5. Since the review, CIPFA published the 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police in October 2022.
6. This report provides an update on the recommendations from the CIPFA review of the General Purposes Committee (GPC), overview of the updated guidance on the role of the Audit Committee and proposed actions in response.

#### **Relevance to the Council's Corporate Plan**

7. The Council Plan is underpinned by a number of cross-cutting themes, financial resilience and good governance, the regular review of the committee will provide assurances of the effectiveness of the Council's governance framework. Further effective governance, risk management and financial resilience contributes to the ability of the Council to deliver the aims of the Corporate Plan.

## **Background**

8. The General Purposes Committee carries out the Audit Committee function in Enfield and is a key component of good governance. The purpose of audit committees is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
9. In September 2021, Enfield commissioned CIPFA to undertake an independent review of the General Purposes Committee. The independent review by CIPFA was undertaken against the 2018 edition of the CIPFA Audit Committee Good Practice Guide.
10. The headlines from the review stated “The operation of the General Purposes Committee in the London Borough of Enfield, on balance, works well and to the satisfaction of its members and to the officers who support the committee. Overall, the members of the Committee are content with how the Committee operates and many commended the work of officers. Members felt that they were well supported by officers with many citing that officers were proactive, open, helpful, and transparent in their dealings with the GPC.”
11. CIPFA made several recommendations from the review, which were presented to the January 2022 GPC meeting. The details presented to the meeting are outlined in Appendix A.
12. An update following the review is provided below.

## **CIPFA Review of Enfield’s General Purposes Committee - Update**

13. The overall outcome of the review was positive, providing assurance that the committee was operating well and in line with the good practice guidance.
14. The following themes of potential areas for improvement or further focus emerged from the key findings from the review.

Area	Overview/Update	Next Steps
Annual statement of accounts	The ongoing delays in signing off previous year's accounts was the biggest issue raised by members in the review process. The finalising of the 2019/20 accounts remains of critical importance and concern and a key area of focus for Enfield. Regular update reports continue to be provided to the Committee.	The backlog in the audit of open accounts means that this remains a critical focus of GPC.
GPC annual report	<p>The following recommendations were made in relation to the GPC Annual Report:</p> <ul style="list-style-type: none"> <li>• A record of training offered during the municipal year and member take-up is published in the annual report;</li> <li>• GPC review its effectiveness against the checklist in the guidance as part of the production of the annual report.</li> </ul>	<p>The 2022/23 GPC Annual Report is on the agenda for the March 2023 meeting. It is proposed that the report is revised to incorporate the following:</p> <ul style="list-style-type: none"> <li>• A record of training offered and take-up;</li> <li>• Self-assessment of the effectiveness of the committee using the current CIPFA guidance.</li> </ul>
Administration of the GPC and meetings	<p>Several recommendations from the review were in relation to the administration of the GPC and meetings. The relevant recommendations are summarised below:</p> <ul style="list-style-type: none"> <li>• GPC consider additional workshops during the next municipal year</li> <li>• Consider how meetings could be structured to provide more time on key matters agreed with the committee</li> <li>• Consider improved signposting of matters and shorter covering reports</li> </ul>	This should form part of annual review and subsequent future planning.
Training	<p>CIPFA recommended that ensuring GPC members are trained is a matter of high importance in light of recent public interest reports and the Redman Review.</p> <p>In view of the importance of training, Enfield arranged an introduction/refresher training session for members which was delivered by CIPFA in May 2022.</p>	<p>The following additional actions in relation to training are proposed:</p> <ul style="list-style-type: none"> <li>• The training programme for GPC members is set out at the beginning of the municipal year</li> <li>• A skills inventory of GPC members is maintained</li> </ul>
Terms of Reference	CIPFA recommended that the Terms of Reference for the committee are reviewed to ensure that they are fully aligned with the CIPFA guidance.	It is proposed that the review is undertaken using the recently published 2022 guidance and the self-assessment of good practice.
Focus on financial resilience	CIPFA recommended the ongoing focus of the Committee around financial resilience and commercial activities. This remains a key area of focus for the Council and continues to be included in the work programme for the Committee.	Financial resilience is currently in the work programme annually.

## **Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)**

15. CIPFA has recently published an updated 2022 position statement. The statement is supplemented with the 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police, which was published in October 2022.

### Position Statement

16. The position statement sets out the purpose, model, core functions and membership of the audit committee. It represents CIPFA's view on the audit committee practice and principles that local government bodies should adopt. The full position statement can be downloaded from the CIPFA website - <https://www.cipfa.org/services/support-for-audit-committees> .
17. Local authorities are expected to make their best efforts to adopt the principles to enable them to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
18. The statement defines the purpose of the committee as "a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective."
19. The statement reinforces:
- a) Independent and effective model – the importance of the committee being independent of executive decision making to enable it to provide objective oversight and include an independent member;
  - b) Core functions – provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. The specific responsibilities include maintenance of governance, risk and control arrangements; financial and governance reporting; and establishing appropriate and effective arrangements for audit and assurance;
  - c) Audit committee membership – characteristics of audit committee membership;
  - d) Engagement and outputs – regular meetings and engagement with the local authority;
  - e) Audit committee membership – characteristics of audit committee memberships;
  - f) Impact – the committee should evaluate its impact and identify areas for improvement.

### 2022 edition of Audit Committees: Practical Guidance for Local Authorities and Police

20. The position statement is supplemented with detailed updated guidance including the following supporting documents:
- a) The audit committee member in a local authority
  - b) The police audit committee member (not relevant to Local Authorities)
  - c) Guiding the audit committee – supplement to the audit committee member guidance
  - d) CIPFA Audit Committees Position Statement (2022)
21. Local authorities are encouraged to use the publications to review and develop their arrangements in accordance with the position statement, which includes new expectations following the Redmond Review. The appendices include suggested

terms of reference, a knowledge and skills framework and effectiveness improvement tools.

22. The following appendices are included in the guidance:
  - a) Appendix A – Sector and devolved government guidance
  - b) Appendix B1 – Suggested terms of reference (local authority)
  - c) Appendix C – Audit committee members knowledge and skills framework
  - d) Appendix D – Problem solving difficulties with the audit committee
  - e) Appendix E – Self assessment of good practice
  - f) Appendix F – Evaluating the impact and effectiveness of the audit committee
23. The 2022 guidance includes a new guide “the audit committee member in a local authority”. The aim of this practical guide is to support audit committee members to understand the purpose of the committee and its functions and their responsibilities as members. The guide covers:
  - a) The purpose of audit committees;
  - b) The core functions of an audit committee;
  - c) Possible wider functions of an audit committee;
  - d) Independence and accountability;
  - e) Membership and effectiveness of the audit committee.
24. To ensure that the committee is operating in line with the updated guidance, Enfield has undertaken an initial self assessment of good practice using the 2022. The initial draft assessment is included as Appendix B for wider discussion.
25. Broadly speaking, it is felt that GPC and the way it currently operates meet CIPFA's latest guidance specification. The recent CIPFA review of GPC has contributed towards this, giving assurance and also anticipating the latest guidance. There are however some areas which require minor attention, in order for LBE to comply comprehensively with the latest specification:
  - a) GPC Terms of Reference should be reviewed to ensure alignment with the 2022 guidance including:
    - i) Addition of a separate statement of purpose based on the statement in the 2022 suggested terms of reference;
    - ii) Update the format of the terms of reference based on the updated wording of the workstreams/key areas as outlined in the 2022 suggested terms of reference (Governance, risk and control; financial and governance reporting; arrangements for audit and assurance and accountability arrangements);
    - iii) Consider further the additional functions to the core areas that currently included in the terms of reference (Procurement and contracts, Constitution and Members Support);
    - iv) Review the wording of the committee functions in line with the suggested terms of reference;
  - b) The annual report should be updated to include a conclusion on the compliance with the CIPFA position statement;
  - c) Impact and effectiveness of the committee should be evaluated as part of the production of the annual report.

## **Main Considerations for the Council**

26. In response to the recommendations from the review and initial self assessment against the updated guidance, the following actions are proposed to ensure the committee is operating in line with the updated guidance and best practice:
- a) Review and update the terms of reference for the committee in line with the 2022 guidance;
  - b) Incorporate the following in the GPC Annual Report moving forward:
    - i) A record of training offered and take-up during the municipal year (see recommendation 5 from the CIPFA review);
    - ii) Evaluation of the impact and effectiveness of the audit committee (see recommendation 6 from the CIPFA review and Appendix F from the 2022 guidance);
    - iii) Conclusion on the compliance with the CIPFA position statement (in line with the updated guidance);
  - c) Update the workplan for the committee to incorporate:
    - i) Consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code (in line with the updated guidance).
27. The Committee are asked to:
- a) Note and comment on the update following the CIPFA review;
  - b) Note the updated 2022 version of the CIPFA audit committee guidance;
  - c) Note and comment on the proposed actions.

## **Safeguarding Implications**

28. There are no specific safeguarding implications arising from the report.

## **Public Health Implications**

29. There are no specific Public Health implications arising from this report.

## **Equalities Impact of the Proposal**

30. None in the context of this report.

## **Environmental and Climate Change Considerations**

31. None in the context of this report.

## **Risks that may arise if the proposed decision and related work is not taken**

32. The report is for noting.

## **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

33. The report is for noting.

## **Financial Implications**

34. None in the context of this report.

## **Legal Implications**

35. There are no legal implications arising directly from this report.

### **Workforce Implications**

36. None in the context of this report.

### **Property Implications**

37. None in the context of this report.

### **Other Implications**

38. None in the context of this report.

### **Options Considered**

39. Not relevant in the context of this report.

### **Conclusions**

40. The committee is asked to note the recommendations in the report, officer responses and proposed actions for further consideration.

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Report Author: James Newman

Date of report: 22 December 2022

### **Appendices**

Appendix A: Responses to the review recommendations

Appendix B: Self Assessment

## Appendix A – Responses to review recommendations

Key Recommendations	Initial response
<p>1. Where practical, publish a timetable for the closure of the accounts from previous years. Our review has demonstrated that there is wide range frustration amongst members of the GPC over how long it's taking to sign-off previous year's accounts. The longer this matter persists, the more that GPC members are being distracted from focusing on other important Council business.</p>	<p>This recommendation is accepted. BDO annually produce a timetable of their audit plan. The 2020/21 plan is expected to be presented to January 2022 GPC and will be complemented by a Council timetable for further consideration with GPC members as part of next year's planning process.</p>
<p>2. As part of its annual planning process, that the GPC consider additional workshops during the municipal year. These workshops should be framed as "deep dives" around areas requiring further debate and scrutiny (eg, Meridian Water). Many of the members interviewed were complimentary about the balance of standard GPC meetings being interspersed with "deep dive" where members were able to look at a single issue in more detail. A good example of this during 2021 was the workshop on electoral reform. At the start of the municipal year, that the Head of Audit provide GPC members with a briefing on key audit and risk matters that should form part of the GPC's annual work programme.</p>	<p>It is proposed at the start of the municipal year that the committee consider proposing up to three areas for deep dive or thematic review throughout the year at the annual work programme review.</p>
<p>3. As part of GPC planning for next year, consider how meetings could be structured by providing more time on key matters (to be agreed by the Committee). A commonly held frustration was the lack of time available to discuss Part 2 matters. Whilst we realise that it is not always feasible to start with Part 1, switch to Part 2 and revert to Part 1, the GPC (supported by officers) needs to find a solution to ensure that those matters held in private are given sufficient "air time" and that GPC members are satisfied that they've been able to consider such matters, understand them and be able to ask questions. That officers and GPC members work together to develop a plan for three deep dives during the year and that members consider (for some meetings) starting the meeting with Part 2 matters and reverting to Part 1 for the remainder of the meeting.</p>	<p>This recommendation is accepted and will be considered further with GPC members.</p>
<p>4. Consider improved signposting of matters that come before the Committee. Members would welcome shorter covering reports, but improved signposting to make it more obvious what a report is intended for (eg, consideration, information, decision etc). More work needs to be done to ensure that covering reports provide better focus on matters presented to the GPC.</p>	<p>This recommendation is accepted, and improvements will be considered for next year.</p>



Key Recommendations	Initial response
<p>5. Publish, in the GPC Annual Report, a record of training offered during the municipal year along with member take-up. Members' views on GPC-related training was mixed. Some members felt that training was adequate whereas others felt that more regular should be offered. In light of the Croydon Public Interest Report and the Redmond Review, ensuring that GPC members are trained is a matter of high importance. At the start of the municipal year, for officers to set out the training programme for GPC members that will be available during the year. For a nominated officer to maintain a skills inventory of GPC members as the skills pertain to their role on the GPC. See Appendix D of this report which provides an outline of the recommended competency and knowledge levels for Audit Committee/GPC members.</p>	<p>This recommendation is accepted, and a record of attendance at training will be published in the GPC Annual Report next year.</p>
<p>6. As part of the production of the Annual Report, that the GPC review its effectiveness against the checklist at Appendix C to ensure that, on an annual basis, it measures its performance with best practice and addresses and areas of concern.</p>	<p>This recommendation is accepted, and the checklist will be used next municipal year.</p>
<p>7. Further consider the matter of financial resilience. CIPFA understands that this is discussed at GPC and indeed the Treasury Management Strategy has been tabled this year (before being presented to Cabinet). Financial resilience is a matter where many councils are now providing more focus and Enfield should consider if matters relating to the Council's overall financial resilience should be a more regular feature of GPC focus. As part of the GPC review, CIPFA have reviewed a number of reports presented to the GPC over the last two years. These reports include a Finance Resilience Update – October 2019, Annual Review of Financial Resilience – March 2021 and Capital Expenditure and Sensitivity of Interest Rates – March 2021.</p>	<p>This recommendation is accepted. Financial Resilience is a key area of focus for the Council and will continue to be a regular area for GPC focus.</p>
<p>8. (Relating to Recommendation 2 above) across local government, there is now more focus on the commercial activities undertaken by councils. With this in mind (and reference to Croydon and Nottingham PIRs) that the GPC consider more focus on companies, commercial aspects of the Council and loans in the next municipal year.</p>	<p>This recommendation is accepted, and will be added to the annual work programme review.</p> <p>Please note, the Finance and Performance Panel and considering Company Business Plan and Performance at December 2021 meeting.</p>
<p>9. Regarding the GPC's current terms of reference (TOR), it is recommended that the TOR be reviewed to ensure that they are fully aligned to the CIPFA guidance. Further details are provided in the notes at Appendix C.</p>	<p>This recommendation is accepted, and the TOR will be reviewed for the next municipal year.</p>

## APPENDIX E

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"><li>compliance with the CIPFA Position Statement 2022</li></ul>					
	<ul style="list-style-type: none"><li>results of the annual evaluation, development work undertaken and planned improvements</li></ul>					
	<ul style="list-style-type: none"><li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li></ul>					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none"><li>financial management</li><li>value for money</li><li>ethics and standards</li><li>counter fraud and corruption</li></ul>					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>• Separation from executive</li> </ul>					
<ul style="list-style-type: none"> <li>• A size that is not unwieldy and avoids use of substitutes</li> </ul>					
<ul style="list-style-type: none"> <li>• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>					
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
18 Is adequate secretariat and administrative support provided to the committee?					
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					
22 Are meetings effective with a good level of discussion and engagement from all the members?					
23 Has the committee maintained a non-political approach to discussions throughout?					

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.