
EXTERNAL AUDIT - LOCAL GOVERNMENT SECTOR UPDATE

Committee: Resources and Finance Committee

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[S112]

1. ISSUE

1.1 Ernst and Young (EY), the Council's external auditors, produce regular briefing notes, detailing their view of the local government sector and raise key questions that the audit committee need to be considering. As previously agreed at the Corporate Governance and Finance Committee, this note provides Members of this Committee (as the Council's audit committee) details of the Council's position with regard to these key questions.

2. RECOMMENDATION (S)

2.1 Members are requested to note the report.

3. BACKGROUND/OPTIONS

3.1 EY's full report is attached as appendix 1 to this report.

3.2 This raises four key questions for the audit committee to consider, page 8 of the report.

3.3 Question 1

Does your organisation and its partners have in place IT security arrangements which minimise the risk and impact of cyber attacks?

ECDC has in place robust security measures to combat the risk of a data breach and cyber crime. These include firewalls, email gateway security (Mimecast), anti-malware (Kaspersky) and automated patching of systems (Desktop Central).

We also have regular checking of passwords meeting complexity requirements (including us attempting to hack our own passwords with various tools to identify any potentially weak passwords that have been set).

We also penetration test our systems on a regular basis internally and externally and have an annual external audit carried out by a third party. All testing is recorded and problems identified are addresses as soon as possible.

3.4 Question 2

Is your culture allowing women to progress to senior positions?

The Council has an inclusive culture that encourages gender diversity and allows women to progress into senior positions. The Council's top 5% of the workforce is made up of 80% women and 20% men. The Council actively supports women to progress to senior positions, as evidenced by three out of five of the Council's Corporate Management Team being women and also politically, our deputy leader and vice-chairman of the Council are female.

3.5 Question 3

Are you aware of the commercial activities of your authority? What assurance have you sought on the adequacy of risk identification, effectiveness of risk management and the arrangements for optimising benefits realisation?

Are you assured that all financial considerations have been addressed? Including appropriate due diligence, staying within state aid rules, understanding the impact on the minimum revenue provision and clarity on the longer term revenue implications of capital investments?

Do you know about the significant commercial activities in the pipeline? What assurance do you have that business cases are robust and realistic?

The Council itself does not carry out commercial activities. However, it has set up a trading company that does carry out such activities.

In order to mitigate the risks associated with commercial activity, the trading company has adopted the same policies and procedures of the Council wherever practicable. In order to ensure that the trading company acts in the best interest of its shareholder, i.e. the Council, the Council has established a Shareholder Committee to oversee the activities of the trading company and provide a 'scrutiny' role on behalf of the Council.

The Council has previously agreed to provide a loan to the Company of up to £5,000,000, to be repaid by March 2021. As Section 151 Officer, I constantly monitor the cashflow projections of the Company to ensure that these stay within the £5,000,000 allocated and further show adequate funds to repay the Council at the end of the loan period.

3.6 Question 4

Has your authority recently discussed and agreed its risk appetite?

This Committee received a paper on Risk Management at its meeting on the 20th July 2017. At the meeting Committee agreed to recommend to Council the proposed amendments to the Corporate Risk Register and Risk Management Policy be adopted. This will be presented to Council at its meeting on the 5th October.

4. ARGUMENTS/CONCLUSIONS

The Council has already undertaken steps to address all of the issues highlighted in the paper that impact on district councils.

5 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

5.1 There are no financial implications linked to this report at this time.

5.2 Equality Impact Assessment (INRA) not required.

6 APPENDICES

6.1 Appendix 1 – EY Report – Local government audit committee briefing

Background Documents

Location

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