

Minutes of a Meeting of the **Audit and Governance Committee** held in the **Deben Conference Room** at **East Suffolk House, Riduna Park, Melton** on **Monday 10 September 2018** at **6.30pm**

Members of the Committee present:

G Lynch (Chairman), A Cooper (Vice-Chairman), P Coleman, C Hedgley, M Jones, J Kelso, S Mower, P Mulcahy.

Other Members present:

J Day, S Lawson.

Officers present:

K Blair (Head of Operations), A Carey (Head of ICT), R Davies (Senior Auditor), L Fuller (Audit Manager), P Gore (Head of Environmental Services and Port Health), R Grass (Interim Asset and Investment Manager), P Langford (District Emergency Planning Officer), M Makin (Democratic Services Business Manager), S Martin (Head of Internal Audit Services), T Snook (Commercial Contracts Manager (Leisure)), S Taylor (Finance Manager and Deputy S151 Officer).

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Dunnett and Whiting. Councillor Jones acted as substitute for Councillor Dunnett.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes

RESOLVED

That the Minutes of the Meeting held on 24 July 2018 be confirmed as a correct record and signed by the Chairman.

4. Treasury Management Outturn Report for 2017/18 and Mid Year Report 2018/19

The Committee received report **AG 17/18** of the Cabinet Member with responsibility for Resources. The report provided an annual report for 2017/18 and mid-year report for 2018/19, reviewing the performance of the treasury management function including Prudential Indicators.

The Cabinet Member noted that the Council had not undertaken any external borrowing in 2017/18. He also confirmed that the Council had operated within its approved Prudential Indicator Limits for both 2017/18 and 2018/19 to date.

The Chairman invited questions.

A member of the Committee remarked that there had been a low percentage of long-term investment by the Council; she asked if there was any provision for longer term investments, acknowledging the risk to the Council if it did so.

The Finance Manager explained that the advice given to the Council by Arlingclose, its treasury consultants, had been to not invest in banks or building societies for longer than a six-month period. There had been exploration to invest sums of money for longer periods with other Local Authorities but there had been no uptake on this.

In response to a question from another member of the Committee, relating to investment in the property market, the Finance Manager identified that the Council had earmarked £5m for commercial investment. He said it was important that the Council invested in suitable opportunities in the property market, that would provide the right return and be at an acceptable risk level.

A member of the Committee referred to paragraph 13.2 of the report, expressing concern about investing in non-UK banks. She highlighted the impact of the Iceland bank failure on Local Authorities in the UK and asked if it was prudent for the Council to consider this type of investment.

The Finance Manager stated that at present, the Council had only invested with UK banks. Arlingclose had advised the Council that some non-UK banks were a safer option given their credit rating, and that the returns were roughly the same as UK banks, but currently this option was not being explored.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

RESOLVED

1. That the Annual Report on the Council's Treasury Management activity for 2017/18 incorporating the Mid Year review for 2018/19 be recommended to Full Council for approval at its meeting on 27 September 2018.
2. That the Prudential Indicators Outturn position for 2017/18 in Appendix A be noted.
3. That the Lloyds Set Off agreement, as detailed at paragraphs 14.2 and 14.3 of the report, be noted and approved.

5. Internal Audit Charter

The Committee received report **AG 18/18** of the Cabinet Member with responsibility for Resources. The report informed the Committee of the refreshed Internal Audit Charter, which had been reviewed to take account of any practical or best practice changes.

The Cabinet Member then invited the Head of Internal Audit Services to address the Committee.

She directed Members to paragraph 11.1 of the Charter, where wording had been updated for Quality Assurance, with reference to the relevant Public Sector Internal Audit Standard. The

change had been the result of an in depth internal review by the Senior Auditor, who was present at the meeting.

It was noted by the Head of Internal Audit Services that the Internal Audit functions of the two councils had been aligned for a significant period of time.

The Chairman invited questions.

There being no questions, the Chairman moved to the recommendation, and it was proposed, seconded and unanimously

RESOLVED

That the refreshed Internal Audit Charter attached at Appendix A of the report be noted and commented upon.

6. Implementation of General Data Protection Regulation (GDPR) and Data Protection Act 2018

The Committee received report **AG 19/18** of the Cabinet Member with responsibility for Resources. The report detailed the Council's implementation of the UK's new Data Protection Act 2018 (DPA) alongside the General Data Protection Regulation (GDPR), which had both come in to force on 25 May 2018. It was noted that the DPA was the biggest overhaul of data protection legislation for over twenty-five years and introduced new requirements for how organisations processed personal data.

The Cabinet Member invited the Head of Internal Audit Services, as the Council's Data Protection Officer, to address the Committee.

She thanked the Cabinet Member and informed the Committee that the Audit Manager, who was in attendance, was the qualified Deputy Data Protection Officer. She cited the qualifications and experience that both she and the Audit Manager brought to the roles.

The Head of Internal Audit Services drew the Committee's attention to the workstreams detailed in the report, which outlined the implementation of the DPA and GDPR at the Council.

The significant additional workload arising from the implementation had been undertaken by the Internal Audit team with no additional resources. The Head of Internal Audit Services suggested that extra resources may now be required to complete the Internal Audit Plan for 2018/19; she said that if necessary, this would be reported to the Committee at its next meeting on 11 December 2018.

She also noted that there had been significant support for the implementation, from the Senior Management team downwards. Dedicated "information champions" had been identified in each of the Council's service areas.

It was highlighted to the Committee that the change in legislation meant that Subject Access Requests (SAR) were now free of charge, which had resulted in an increase in the number of requests to the Council. The Head of Internal Audit Services advised that these requests took some time to answer as information on individuals was held in a variety of mediums; redaction to data

was also required to ensure that other individuals were not identified when information was released.

The new legislation had also improved individuals' "right to be forgotten". The Head of Internal Audit Services said that, in her view, the new legislation had improved individuals' rights in respect of data held about them.

The Committee was assured that the DPA had been drafted in line with GDPR, which was a European piece of legislation, so that UK legislation on data protection would remain compliant after Brexit.

It was reported that the Council was not under any investigation by the Information Commissioner's Office (ICO) for any data breaches; the Head of Internal Audit Services stressed that the Council should not be complacent about data breaches and cited human error as the most likely cause for a data breach.

She explained to the Committee that it was important that robust procedures were in place so that any data breaches could be reacted to in a timely manner and reported to the ICO at the earliest opportunity, in order to mitigate the situation. She highlighted that the ICO could now impose higher financial penalties for data breaches.

The Chairman invited questions.

A member of the Committee noted that 89% of staff with access to a computer had completed the mandatory e-learning package, and queried why this was not at 100%. In reply, the Head of Internal Audit Services assured that she was monitoring the situation carefully and would be taking appropriate action if any training was incomplete. She added that CMT had provided support to ensure that officers had been given time to complete the e-learning package.

It was confirmed that there had been a discrepancy between GDPR and the DPA on whether Parish and Town Councils were required to have a designated Data Protection Officer. The Head of Internal Audit Services confirmed that the ICO had recognised this and had confirmed that this was not a requirement for Parish and Town Councils. However, she was clear that these councils still needed to comply with the law and advised the Committee that training had been undertaken with Parish Clerks.

Another member of the Committee noted that the figures in Appendix B of the report, regarding breaches and incidents, showed a noticeable difference between the total numbers of breaches/incidents at the two councils, and asked if there was a reason for this.

The Head of Internal Audit Services responded that she was not aware of any trend or reason for this, suggesting it may be due to officers' understanding of what to report being unaligned. She confirmed that part of the training provided to officers at both councils had been on how to identify what constituted a breach, and advised that if a trend continued over time it would be investigated.

In response to a question from a member of the Committee, regarding training for Members, the Head of Internal Audit Services advised that training sessions would be put on for all members of the Council regarding the implications of the DPA and GDPR. She explained that the Council

registered its Members with the ICO so that they are covered when dealing with data at home regarding constituency matters.

She directed Members to data protection guidance available via the Council's intranet and advised that training sessions would take place before the end of the year. In reply to a supplementary question, the Head of Internal Audit Services said that the Council liaised with other authorities when Members are also members of County or Parish/Town Councils, regarding registration with the ICO.

The Chairman was of the view that data protection training should be mandatory for all Members when East Suffolk Council came into being, so that Members understand the risk that they were undertaking when processing personal data.

The Vice-Chairman referred to paragraph 11.2 of the report, regarding compliance from third parties. He was concerned that some parties had not complied or were "negotiating" their position.

The Head of Internal Audit Services acknowledged that there was not total compliance and explained that this was possibly due to different levels of understanding of the new legislation between the Council and its partners. The Chairman suggested that the Council needed to take a firm line with third parties being compliant so that the Council was not put at risk as the data controller.

It was requested by the Chairman that data breach and incident figures were presented separately in future reports, so that it was clear to the Committee how many breaches had been confirmed and how many were classified instead as incidents.

With regard to resourcing for the Internal Audit team, the Head of Internal Audit Services was advised to report to the Committee as soon as possible if additional resources were required to meet statutory timescales.

There being no further questions, The Chairman moved to the recommendation and it was proposed, seconded and unanimously

RESOLVED

That the information in the report and the implementation of the Data Protection Act 1998/General Data Protection Regulation at the Council be considered and commented upon.

7. Internal Audit Reports Recently Issued

The Committee received report **AG 20/18** of the Cabinet Member with responsibility for Resources. The report invited the Committee to comment upon the contents of the attached Internal Audit reports regarding Safeguarding Compliance and Public Sector Internal Audit Standards Compliance in 2018/19.

The Cabinet Member invited the Head of Internal Audit Services to address the Committee.

She explained that previously, Internal Audit reports had been circulated to Members via the Council's intranet, but would now be presented to the Committee at its meetings. She ensured the Committee that in the future, any reports that contained exempt information would be considered in closed session, but advised that the reports before the Committee at that time did not contain such information.

The Head of Internal Audit Services noted positive results of both reports, which had shown full compliance and resulted in "good" ratings.

The Chairman invited questions.

There being no questions, The Chairman moved to the recommendation and it was proposed, seconded and unanimously

RESOLVED

That the Audit Reports, attached to the report at appendices A and B, be commented upon.

8. Consideration of Items for the Committee's Forward Work Programme

The Audit and Governance Committee reviewed its Forward Work Programme and, in particular, considered and confirmed the items of additional business it wished to receive at its next meeting on 11 December 2018.

9. Exempt/Confidential Items

RESOLVED

That under Section 100(1)(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

10. Minutes

RESOLVED

That the Exempt Minutes of the Meeting held on 24 July 2018 be confirmed as a correct record and signed by the Chairman.

11. Business Continuity: Exercise Cobra Mist

The Committee received report **AG 21/18** of the Cabinet Member with responsibility for Community Health. This item is recorded as a separate and confidential minute.

12. Internal Controls – Status Update: Contracts, Asset Management and Health and Safety Records with Partners

The Committee received report **AG 22/18** of the Cabinet Member with responsibility for Resources and the Cabinet Member with responsibility for the Green Environment. This item is recorded as a separate and confidential minute.

The meeting concluded at 8.11pm.

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Chairman