

Item 6



UPDATE REPORT ON ARRANGEMENTS FOR CORPORATE GOVERNANCE

1.0 INTRODUCTION

This report indicates the progress made in respect of the arrangements for the introduction of a Governance Group within the Assessor and ERO organisation.

2.0 BACKGROUND

At the Board meeting of 21 August 2017 the Assessor submitted a report concerning arrangements for Corporate Governance within the organisation. As a result the Board noted and agreed to the formation of the Governance, Risk, and Best Value Group.

Further, at the Board meeting of the 16th April 2018 it was agreed that the Governance, Risk and Best Value Group would hold externally facing meetings twice yearly where invitations to Board members and other external stakeholder representation would be issued.

3.0 UPDATE

The Governance, Risk and Best Value Group held its inaugural meeting on 30th May 2018.

At this the Group's formal Terms of Reference were agreed in association with a draft schedule of meetings.

In addition there was reflection on the arrangements undertaken to satisfy the introduction of the new General Data Protection Regulations, a review of recent external audit activity and the recommendations arising, and the initial preparation of a Governance Group work plan for the coming year.

4.0 TERMS OF REFERENCE

A copy of the Terms of Reference that shall support the operation of the Group are attached as Appendix 1.

The Board's attention, in particular, is drawn to paragraph 13 and is reproduced below.

13 Escalation Procedure

The committee shall ensure that should a perceived breach of internal control or failure in required governance standards be identified and to which, in the opinion of the committee chairman, the Assessor and Electoral Registration Officer, fails to give due and proper consideration, the committee chairman may in the first instance raise this matter with Lesley Newdall, Head of CEC Audit, by way of escalation to Nick Smith, LVJB Monitoring Officer, and by way of further escalation to the Convenor of the Joint Board.

Following discussion with CEC Audit, who have provided assistance and guidance throughout the creation of the Governance Group, it was agreed that an escalation procedure would be appropriate.

This mechanism provides the Board with additional assurance of the commitment being given to the creation of proper and effective corporate arrangements within the Assessor's organisation. In addition it ensures that when necessary issues of governance can be raised by the Head of Governance out with the organisational structure.

5.0 RECOMMENDATION

The Board is asked to note this report and to agree to the escalation procedure indicated at paragraph 13 of the Governance, Risk and Best Value Group Terms of Reference.

Graeme Strachan
ASSESSOR & ERO

Att: Appendix 1: Terms of Reference



Governance Committee Terms of Reference

1 Purpose

The Governance Committee will enable the creation of formal and transparent arrangements for monitoring corporate reporting, risk management and internal financial and core system controls within Lothian Valuation Joint Board (LVJB). These arrangements will support an appropriate relationship with the LVJBs' external auditors and satisfy internal quality assurance and Joint Board requirements.

2 Membership

- The committee shall comprise of the Head of Governance, members of the Governance team, the City of Edinburgh (CEC) accountants and The Assessor and Electoral Registration Officer.
- Only members of the committee have the right to attend committee meetings.
- However, the LVJB Treasurer, external audit partners and Board members will be invited to attend a specially convened meeting of the committee. These meetings to be held twice yearly. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- The Head of Governance will be the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

3 Secretary

A member of the Business Support Unit shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4 Quorum

The quorum necessary for the transaction of business shall be three members.

5 Frequency of Meetings

- The committee shall meet at least six times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required
- Outside of the formal meeting programme, the committee chairman and other committee members, will maintain a dialogue with key individuals involved in LVJB's governance, including relevant staff members, the finance director, internal audit and external audit lead partner and Board members.

6 Notice of Meetings

- Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the internal or external audit lead partner or Board if they consider it necessary.
- Unless otherwise agreed by the committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.

7 Minutes of Meetings

- The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- Draft minutes of committee meetings shall be agreed with the committee chairman and then circulated promptly to all members of the committee, unless it would be inappropriate to do so in the opinion of the committee chairman.

8 Duties

The committee should have oversight of LVJB as a whole.

9 Financial Reporting

The committee shall support the activities of City of Edinburgh Council Financial Services staff in respect of financial statements of LVJB, including its unaudited and audited accounts, monitoring reports and any other formal statements relating to its financial performance, the review and subsequent reporting to the Board on significant financial reporting issues and recommendations resulting from audit activity.

In particular, the committee shall review and challenge where necessary:

- the application of internal financial control practices and any changes to them.

- the methods used to account for significant or unusual financial transactions.
- whether LVJB has adopted appropriate budgetary decisions, estimates and judgements, taking account of any ongoing business risks.
- all material information presented within, financial statements, organisational strategic reports, and corporate governance statements including risk management and audit reports.

The committee shall review any other statements requiring board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements.

Where the committee is not satisfied with any aspect of the financial reporting provided to LVJB, it shall report its views to the Board.

10 Internal Controls and Risk Management Systems

The committee shall:

- keep under review LVJBs' internal control systems that identify, assess, manage and monitor risks around the core business.
- review and approve the statements to be included in the annual report concerning internal control and risk management.

11 Compliance, Whistleblowing and Fraud

The committee shall:

- review the adequacy and security of LVJBs' arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other core business matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- review LVJB's procedures for detecting fraud;
 - ▶ review LVJBs' systems and controls for the prevention of bribery or undue influence and receive reports on non-compliance.

12 Quality Assurance

The committee shall:

- review and approve the role and mandate of the quality assurance team, monitor and review the effectiveness of its work.

- review and approve quality assurance plans to ensure they are aligned to the key risks of the business, and receive regular reports on work carried out.
- ensure quality assurance has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the quality assurance function evaluates the effectiveness of these functions as part of its quality assurance plan.
- carry out an annual assessment of the effectiveness of the quality assurance function and as part of this assessment:
 - ▶ meet with the quality assurance team to discuss the effectiveness of the function;
 - ▶ review and assess quality assurance work plans;
 - ▶ review the actions taken by management to implement the recommendations of quality assurance and to support the effective working of the quality assurance function;
 - ▶ monitor and assess the role and effectiveness of the quality assurance function in the overall context of LVJB's risk management process and the work of governance compliance;
 - ▶ consider whether an independent, third party review of processes is appropriate

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14 Reporting Responsibilities

The committee chairman shall report annually to the Board on the activities and findings of the Governance Committee, indicate how it has discharged its responsibilities and provide recommendations as necessary.

This report shall include:

- the issues that it considered in relation to the financial, internal control and risk management procedures and practices and how these were addressed.
- any recommendations arising from external audit activity and how these have been addressed.

- any other issue relevant to the remit of the Governance Committee.

15 Other Matters

The committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Business Support Unit for assistance as required.
- be responsible for coordination of the internal and external auditors.
- oversee any investigation of activities which are within its terms of reference.
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

16 Authority

The committee is authorised to:

- seek any information it requires from any employee of LVJB in order to perform its duties.
- obtain, at the LVJB's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.
- call any employee to be questioned at a meeting of the committee as and when required.
- have the right to publish in the Assessor's Annual Performance Report, details of any issues that cannot be resolved between the committee and the Assessor and Electoral Registration Officer.