2018/19 ANNUAL GOVERNANCE STATEMENT

17th June 2019

1.0 INTRODUCTION

1.1 This report is the first Annual Governance Statement prepared by the organisation's internal Governance Team.

1.2 The aim is to provide assurance to the Board of the organisational commitment to the creation and ongoing maintenance of an effective and resilient Governance Framework.

1.3 The Framework provides for the proper governance of the discharge of the Assessor and ERO functions including the identification and mitigation of risk.

1.4 The Governance Framework is supported by the audit activities of both City Of Edinburgh Council Audit Section and external auditors, Scott Moncrieff.

2.0 SCOPE

2.1 The report provides information on the manner in which the Governance Framework is constructed and operated within the organisation

2.2 In addition Governance activity during 2018/19 is highlighted including an indication of planned action for 2019/20.
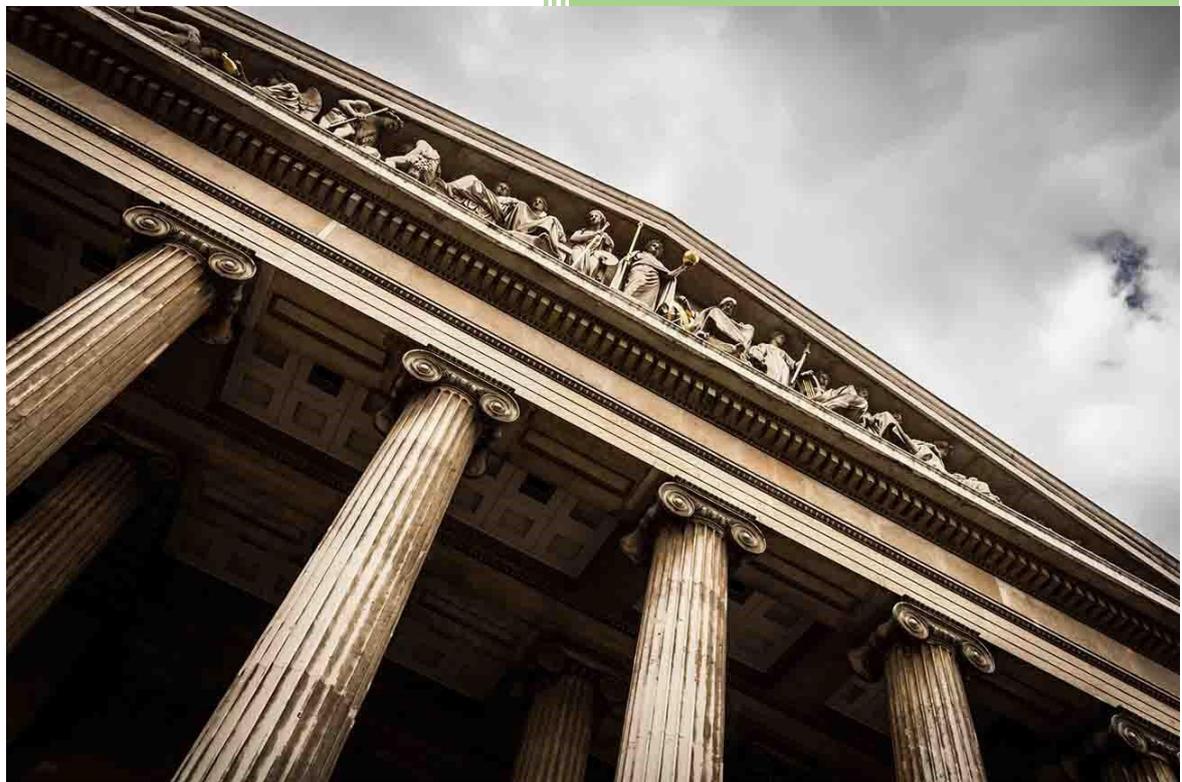
3.0 RECOMMENDATION

3.1 The Board is asked to note the report.

Graeme Strachan
ASSESSOR & ERO

2018/19

Annual Governance Statement

Lothian
Valuation
Joint Board
Assessor & Electoral Registration Office

Contents

1. Scope of Responsibility

Lothian Valuation Joint Board (LVJB) takes responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively. LVJB also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, LVJB is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

LVJB acknowledges its responsibility for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance that defines 3 main principles of accountability, transparency and effectiveness & efficiency that support its governance arrangements.

The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge, is City of Edinburgh Council (CEC) Internal Audit and external auditors Scott Moncrieff. LVJB also operates an internal and external facing Governance Committee which underpins the delivery of these key principles

2. What is Governance?

Governance is about how the LVJB ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, transparent and accountable manner.

Good governance leads to effective:

- leadership and management
- performance and risk management
- public engagement and outcomes for our service users and stakeholders

3. What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which our organisation is directed and controlled. It enables the LVJB to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services in an efficient manner.

Internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, LVJB:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud and properly accounted
- has effective arrangements for the management of risk *(see Appendix 1- LVJB Risk Management Cycle, Register Summary & Examples)* ;
- seeks continuous improvement in the way that it operates;
- enables resources to be managed efficiently and effectively;
- properly maintains records and information

4. What are the key elements of LVJB's Governance Framework?

Accountability

- as a public body we are held accountable to citizens and stakeholders
- we implement good practice in reporting, quality assurance and auditing

Transparency

- processes, procedures and data are directly accessible to those who need them, and enough information is provided to understand and monitor them
- we engage with our stakeholders and help them understand the services we provide

Effectiveness & efficiency

- the organisation produces results that meet service delivery needs while making the best use of its resources
- we operate in a manner to secure an environment of continuous improvement

5. What is a Governance Assurance Framework?

Assurance provides confidence, based on evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. A Governance Assurance Framework is a structure within which the LVJB Corporate Leadership Team (CLT), with additional external scrutiny, can identify the principal risks to meeting its key objectives. Through this we can map out both the key controls to manage them and how we have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within LVJB *(See Appendix 2 - LVJB's governance assurance framework)*. This includes internal Governance Committee overview and oversight and robust challenge by our internal and external auditors and ultimately, the Board.

In addition, 'the three lines of defence assurance model' is in place which helps staff and the CLT to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

Assurance can come from many sources within LVJB. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. Defining these sources into three categories *(see below)*, helps the LVJB understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

- **First Line**- functions that own and manage risks e.g. staff, management and supervisory controls
- **Second Line**- functions that oversee risks e.g. Quality Assurance, Governance Committee & Risk Management
- **Third Line**- functions that provide independent assurance on the management of risks e.g. Internal/External Audit, Board

6. What have we delivered to date?

Governance Framework
- Established remit, scope, membership, and structure of new internal and external facing LVJB Governance Committee

Active Governance
- Regular monitoring and reporting of Barclay project progress, reaction to and implementation of Audit recommendations, adopting RAG status oversight of risk and project planning, monthly QA reports to CLT

Business Rates Assurance Framework
- Introduced a First and Second line assurance model to identify valuation transactions of particular risk or significance which require review by Management & Quality Assurance

Security Awareness
- Undertook a number of exercises and training sessions to promote the organisations awareness and sensitivity to data security risks, including "phishing" simulations *(Appendix 3)*

Data access and security
- Reviewed user rights and privileges to ensure access levels are appropriate, reporting on prevented security incidents, firewall & content filtering activity and intrusion prevention *(Appendix 4)*

GDPR readiness
- Created protocols and procedures to deal with the requirements of GDPR, with particular attention to Subject Access Requests (SAR) requests, incident handling procedures and establishing formal data sharing agreements with key third parties to ensure compliancy with regulations

Risk
- Reviewed the LVJB Risk Management Policy and associated risk registers to enable more effective identification, assessment and mitigation of risk
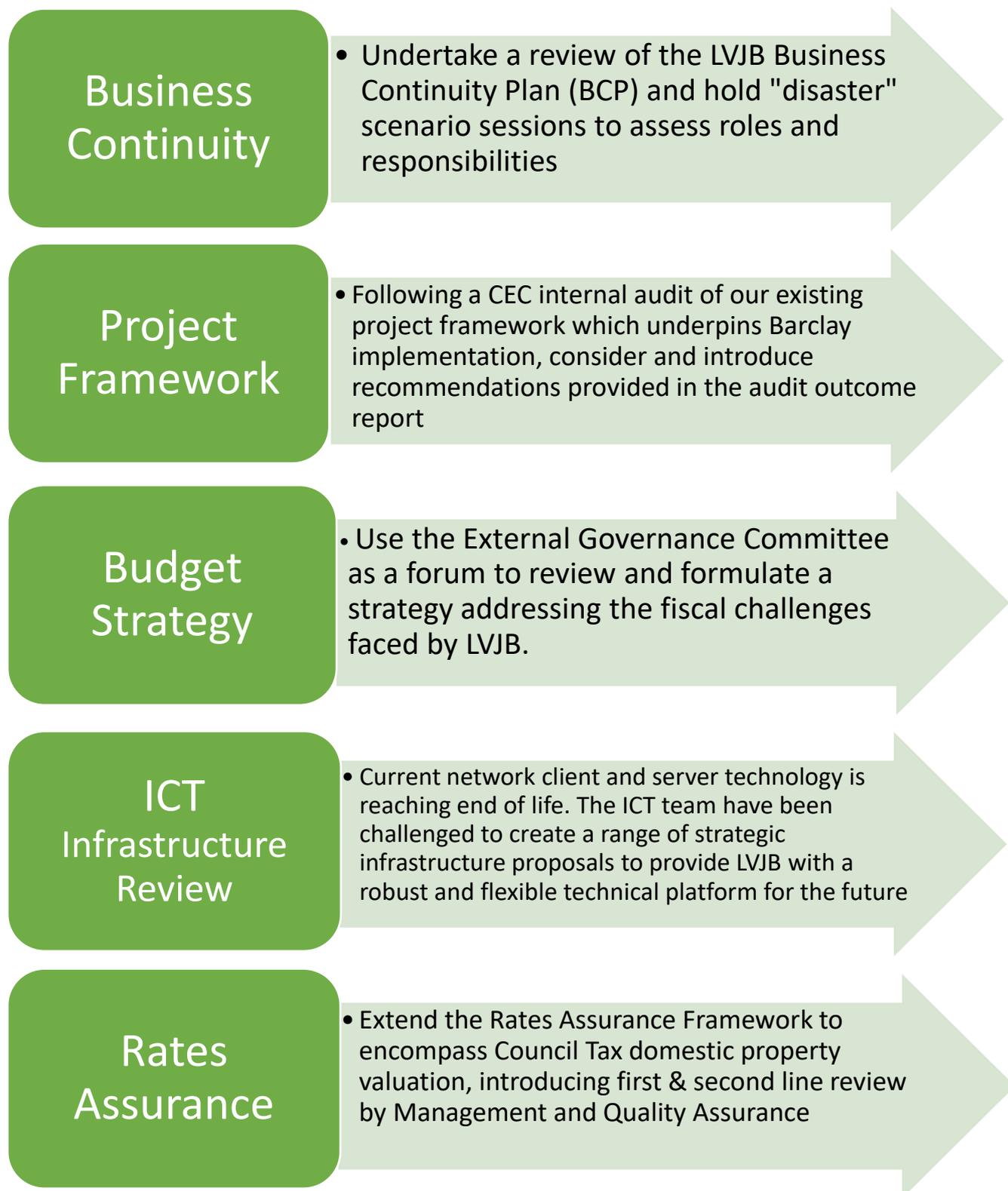
7. The role of Quality Assurance

We have worked hard throughout the year to enhance the role of quality assurance within the organisation. Focus is placed on providing confidence that the level of service provided meets stakeholder expectation and offers an additional layer of protection against errors. Assurance is provided both internally to management, demonstrated through reporting and follow up actions, and externally to customers by improved information provision and transaction accuracy. The Governance Committee has overall scrutiny of all reported actions and recommendations. The table below describes the current QA suite of activity checks.

Function	Task	Description
Council Tax	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Point of Sale Reports	Weekly check for the same period as the interface report. Confirm accuracy of sales date which is applied as the effective and liability date for any change in banding.
	Self-verification Checks	Carry out quality assurance checks on 10% of all self-verified transactions on the Valuation List. Report on any anomalies or transactions incorrectly processed. Currently the report is run on a monthly basis.
Valuation Roll	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Business Rate Assurance Checks	The Principal Surveyors will carry out a 10% check on certain self-verified transactions. QA will carry out an assurance check on 10% of all self-verified and verified transactions as a second line check. Report on any anomalies or transactions incorrectly processed.
	PTO Name Checks	Valuation Roll names updates processed by the Technical staff receive a 10% check by Governance.
Electoral Support/Processing Areas	EMS reports	Check system reports to ensure that electors are correctly processed and absent voting arrangements are applied correctly and ensure the accuracy of the register. A quality assurance check will take place on 10% of the reports produced for electoral activities.
Miscellaneous	KPI Stat Review	Produce monthly KPI stats for review by CLT & Technical Divisions
	Building Warrant/Planning Permission Checks	QA carry out a 10% check on filtered cases to ensure that they are removed in accordance with procedure
	Revaluation Appeal Stats Quarterly Return	Validate the quarterly return of RVAPP stats provided to Scottish Government.

8. Future work in 2019

Business Continuity
- Undertake a review of the LVJB Business Continuity Plan (BCP) and hold "disaster" scenario sessions to assess roles and responsibilities

Project Framework
- Following a CEC internal audit of our existing project framework which underpins Barclay implementation, consider and introduce recommendations provided in the audit outcome report

Budget Strategy
- Use the External Governance Committee as a forum to review and formulate a strategy addressing the fiscal challenges faced by LVJB.

ICT Infrastructure Review
- Current network client and server technology is reaching end of life. The ICT team have been challenged to create a range of strategic infrastructure proposals to provide LVJB with a robust and flexible technical platform for the future

Rates Assurance
- Extend the Rates Assurance Framework to encompass Council Tax domestic property valuation, introducing first & second line review by Management and Quality Assurance
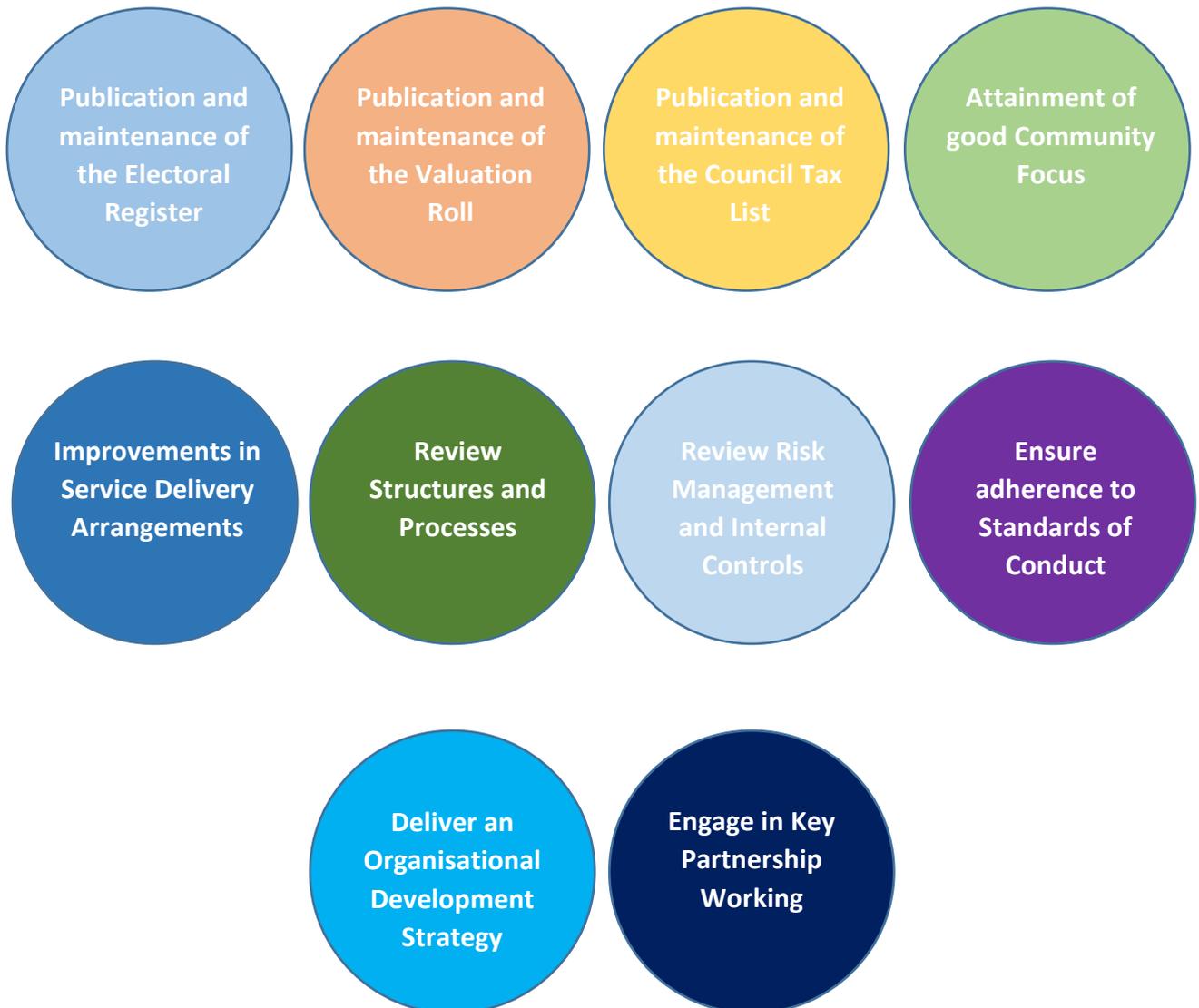
9. Corporate and Service plans – how have we performed?

Corporate and Service plans are annual business plans developed by LVJB. The plans set out the key activities and outcomes that we will deliver within the financial year and the way in which we will measure our performance.

Our key Corporate and Service priorities for 2018/19 were;

Publication and maintenance of the Electoral Register

Publication and maintenance of the Valuation Roll

Publication and maintenance of the Council Tax List

Attainment of good Community Focus

Improvements in Service Delivery Arrangements

Review Structures and Processes

Review Risk Management and Internal Controls

Ensure adherence to Standards of Conduct

Deliver an Organisational Development Strategy

Engage in Key Partnership Working

10. Corporate and Service plans – achievements

A number of objectives realised by the organisation that support our key activities and outcomes are shown below. In particular;
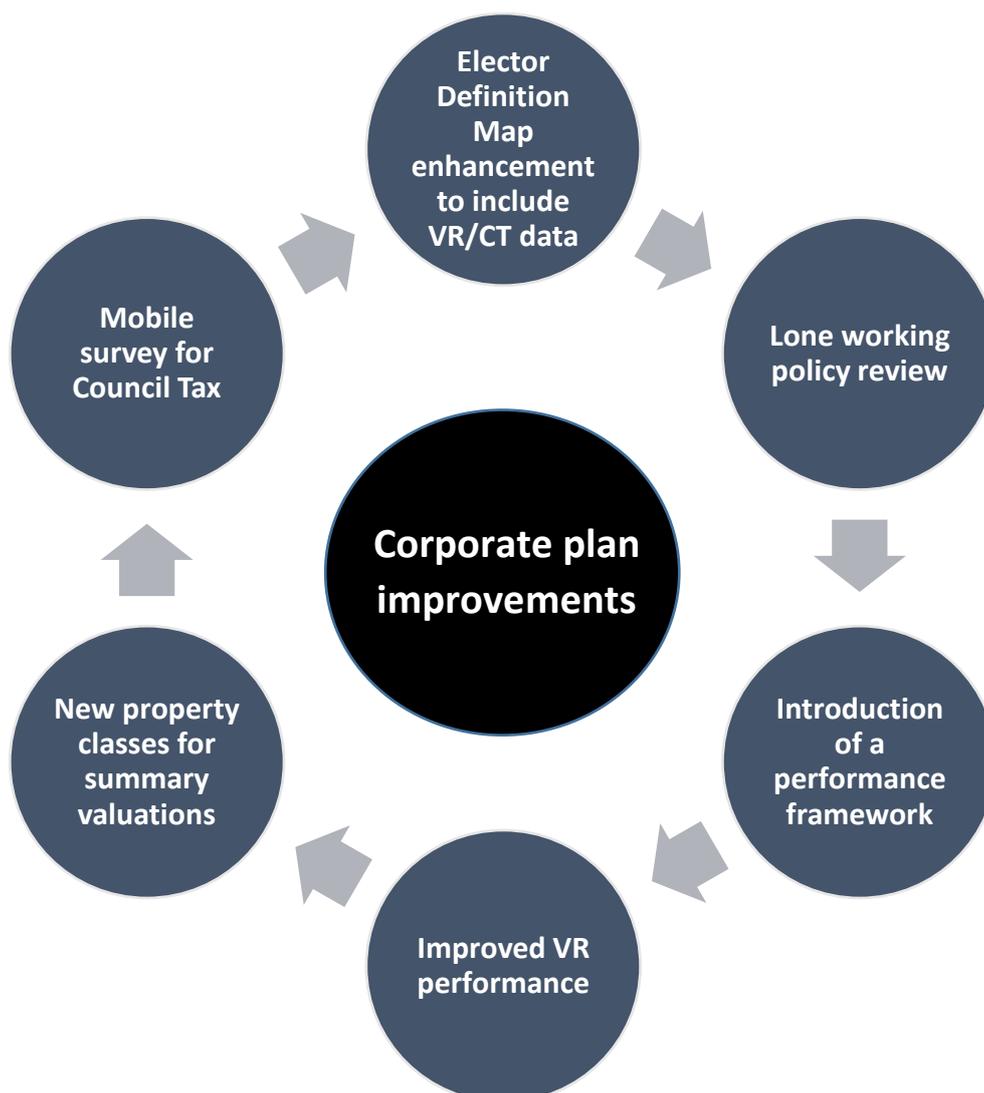
- Progress has been made at the initial point of contact with ratepayers by providing clearer explanation of why a rateable value has been created or amended, providing direct contact details of the member of staff responsible for that change.
- Internal Quality Assurance (QA) activity has been reviewed and enhanced, supporting the introduction of transformational efficiency objectives, such as self- verification for certain types of valuation updates and enabling more streamlined first and second line assurance activities to be undertaken.
- Elements of our training strategy have been implemented to ensure that the skillset of staff, essential to deliver Barclay recommendations, meets organisational requirements.

11. Corporate and Service plans – work in progress

LVJB recognises the importance of continually seeking to deliver improvements in organisational efficiency and performance. We acknowledge that the organisation must continue to challenge traditional ways of working and reflect on how well we function both internally and when engaging with stakeholders.
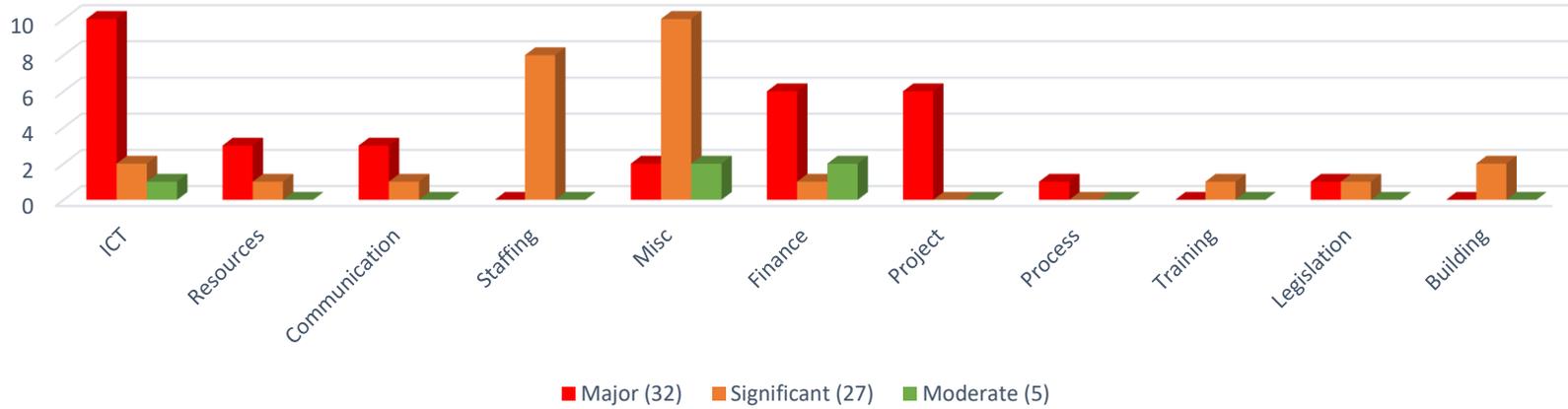
Below are a number of ongoing activities aimed at supporting this process of improvement.

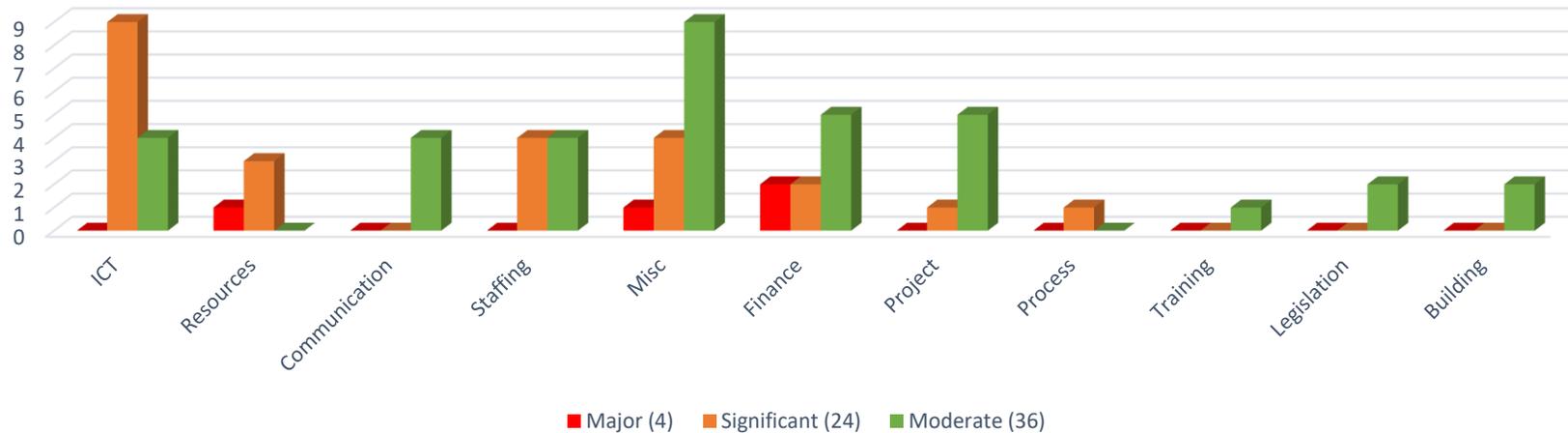# Appendix 1 –Risk Management Cycle, Register Summary & Examples

Risk identification and types

- ✓ Corporate risk – impacts the organisation or service as a whole
- ✓ Project risk – impacts a specific project or task
- ✓ Service risk – impacts a specific service area or division

- ✓ Individuals through the normal course of their job
- ✓ Customer feedback and complaints monitoring
- ✓ Team/project meetings

Risk monitoring

Corporate Leadership Team

Governance Committee

Board level

LVJB Risk Management Cycle

Risk assessment

Likelihood v impact	Impact		
	Moderate — Some disruption possible	Significant — Substantial time/resources required	Major — Operations/service delivery severely disrupted
Almost Certain			
Likely			
Moderate			
Unlikely			
Rare			

Mitigation & control

Risk Registers

	Risk Description	Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action/ Review Date
1	Major/long term ICT system failure	ICT		Treat as a major incident and refer to the BCP.		G Strachan	BCP to be reviewed by Governance team	B Callaghan	Ongoing May 2019
2	Tramways	Misc.		Close partnership working with the City of Edinburgh Councils (CEC) implementation team. Exchange of all necessary information and data as and when required. Monitoring of progress by the PMB.		G Strachan	Ensure effective ongoing communication with CEC. Keep PMB appraised of progress/issues.	G Elliot	Ongoing May 19
3	Loss of key staff	Staffing		A programme of identification of key process elements has commenced in addition to instances of potential single points of failure (this can be either process or people). Knowledge sharing of key processes that support key actions at specific points in service delivery is encouraged. The need to create high levels of resilience within the organisation whether that is within processes and procedures, or people knowledge is vitally important.		G Strachan	A log of key activities requires to be established.	CLT R Mackenzie (lead)	Nov 19

Summary of Corporate, Project & Service Risk Registers (pre mitigation)

Major (32) Significant (27) Moderate (5)

Examples of major risks

Risk Description	Category	RAG rating
Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times	ICT	
Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding	Finance	
Project Board failure to ensure implementation of Barclay Roadmap	Project	
Lack of Technical staff resource to deliver Barclay requirements	Resources	
Lack of external communication throughout delivery process	Communication	

Summary of Corporate, Project & Service Risk Registers (post mitigation)

Categories (x-axis): ICT, Resources, Communication, Staffing, Misc, Finance, Project, Process, Training, Legislation, Building

Legend: ■ Major (4)   ■ Significant (24)   ■ Moderate (36)

Examples of mitigated major risks

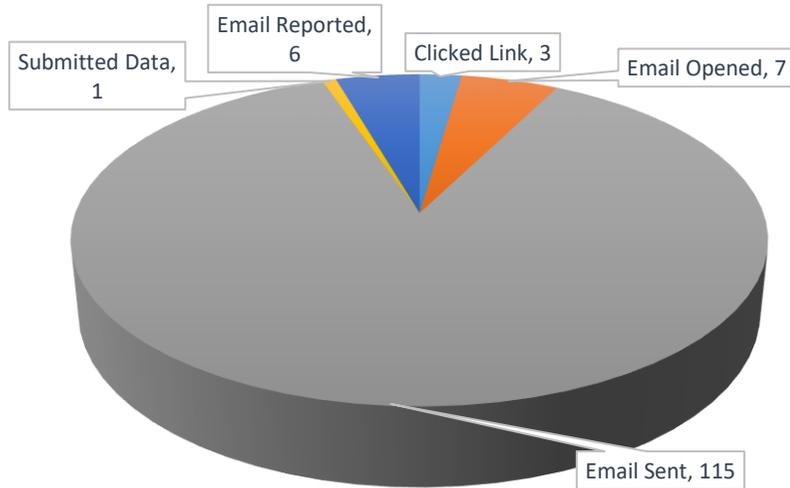| Risk Description	Category	Mitigation & Controls	RAG rating
Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times	ICT	Anti-virus and associated software continually updated. Firewall; Network/application controls; Quality assurance procedures and Business Continuity Plan (BCP). Compliance with PSN security protocols and the introduction of Sophos Intercept X have increased our resilience to this risk. This has also been enhanced by our achievement of the Cyber Essential Plus certification.	(amber)
Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding	Finance	Fiscal constraint and the need to reduce budgets is a constant within local authorities. The statutory nature of LVJB services provides some mitigation against this but there remains a requirement to establish budget levels at a sustainable level. This being stated by Audit Scotland. During 2017/18. A Transformation and Cultural Change Programme was commenced, one of the outcomes being a revised staffing level and structure. A net 4.4% budget saving was achieved.	(amber)
Project Board failure to ensure implementation of Barclay Roadmap	Project	The Barclay Roadmap represents a set of milestone dates for key deliverables. The map is underpinned by a series of internal projects aimed at ensuring the required	(green)

|			
		objectives are met. The map is subject to regular review and as clarity develops from discussion with SG throughout 2019 it shall be modified accordingly. The PMB supports the delivery of key project objectives with overall governance and intervention lying with the Assessor. Current project progress is in line with individual project plans.	
Lack of Technical staff resource to deliver Barclay requirements	Resources	Delivery of primary Barclay requirements is a combination of ICT development, additional funding, and optimum organisational deployment of available technical resources reflecting all service delivery demands. Through the Barclay Roadmap and associated material, all of these elements are currently under progress, review, discussion and consideration. When total granularity emerges on all key deliverables each of these elements shall be assessed to ensure they are fully supportive of the required outcome.	
Lack of external communication throughout delivery process	Communication	Communication to the Board is currently provided through the existing reporting mechanisms by the Assessor. Any additional meetings can be provided as necessary.	
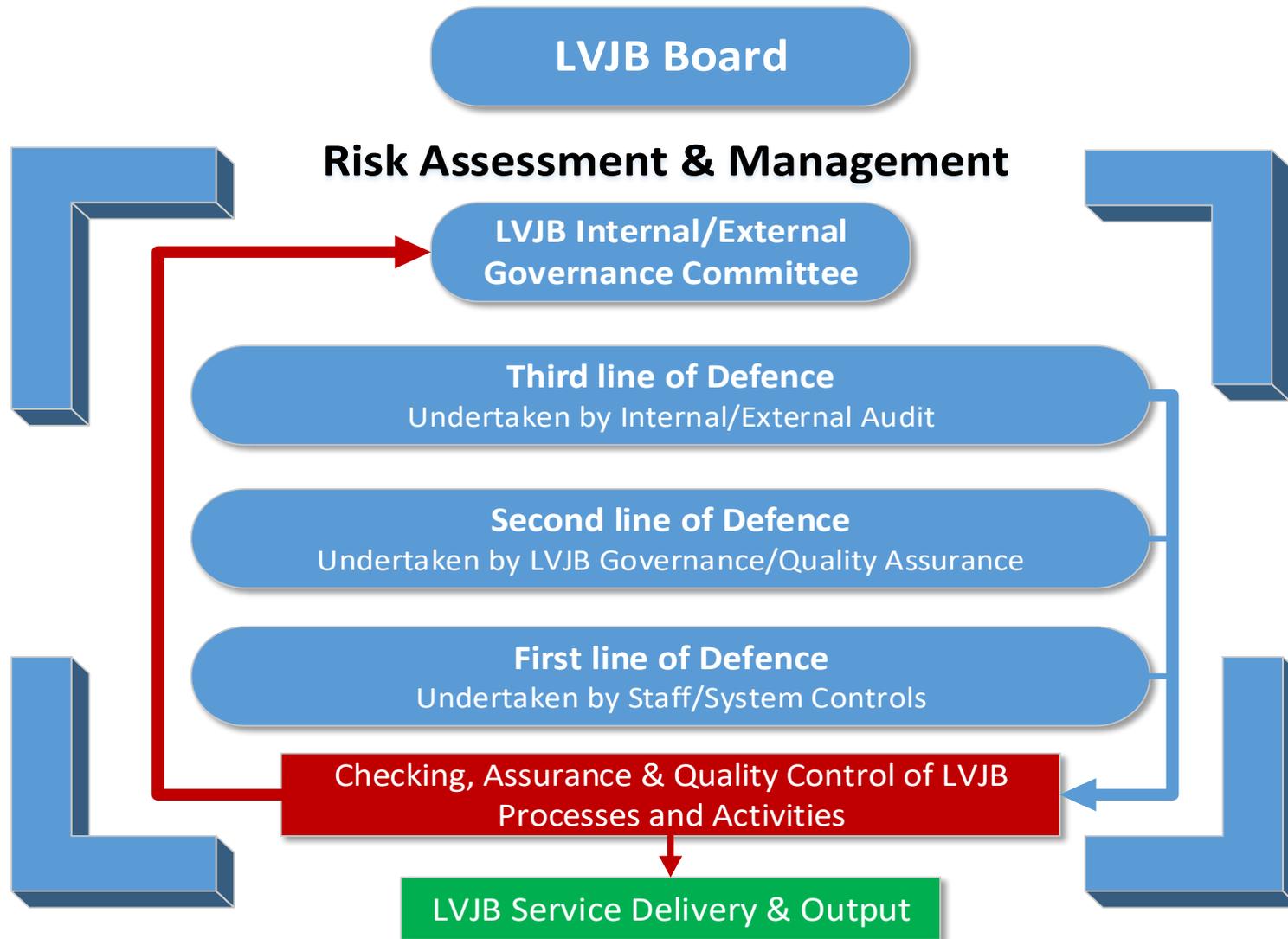
Appendix 3 – Phishing Simulation Results

LVJB **External** Phishing Exercise (Sept 18)

Submitted Data, 1
Email Reported, 6
Clicked Link, 3
Email Opened, 7
Email Sent, 115

LVJB **Internal** Phishing Exercise (Apr 19)

Email Reported, 6
Clicked Link, 7
Email Opened, 7
Email Sent, 94

The above results were obtained from a phishing email with the external address of accounts@linkedin.co.uk. If the link was clicked the user was directed to a dummy linkedin landing page, hence the instance of submitted login data.
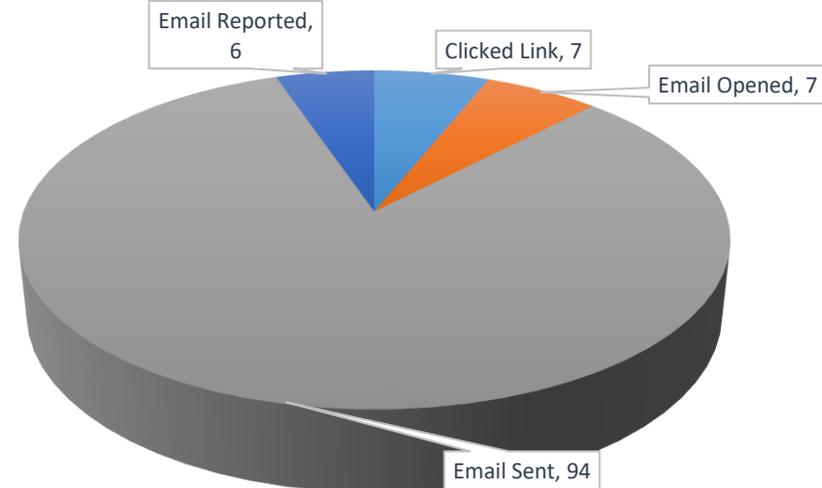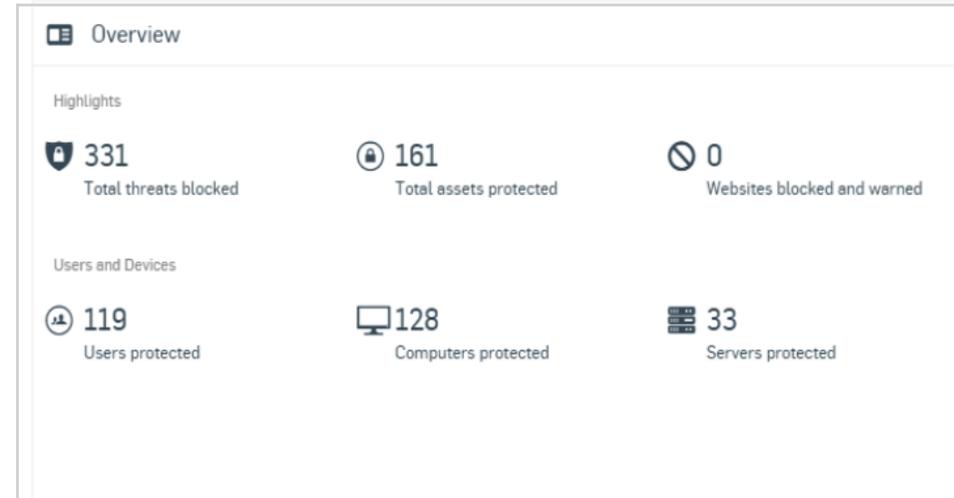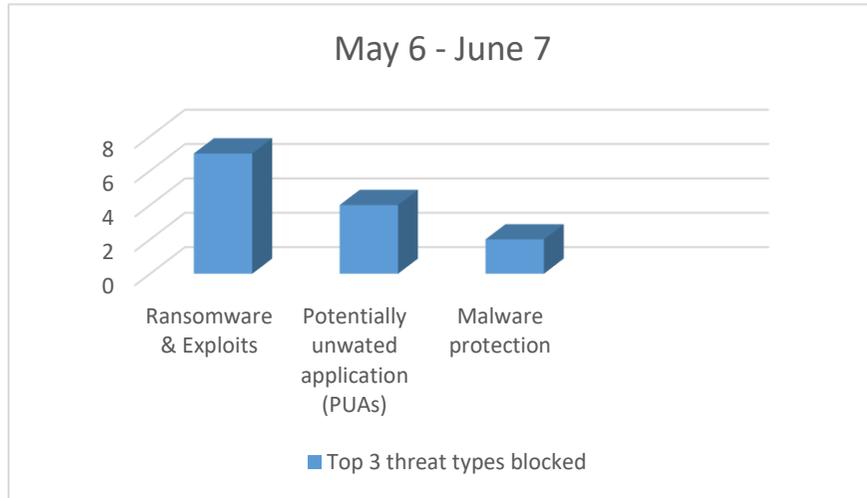
The above results were obtained using a phishing email with a spoofed internal address IT@lothian-vjb.gov.uk. A higher number of clicked links were recorded as the originating email address misled more staff.
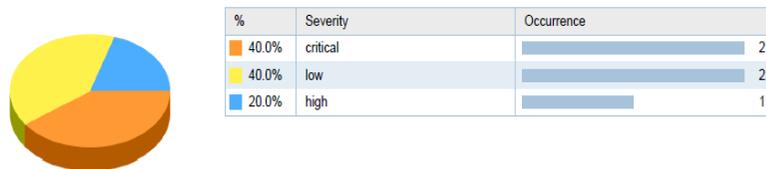
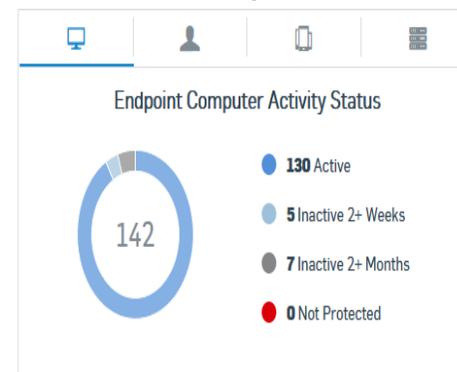# Appendix 4 – Security Incident Prevention

Endpoint Protection Summary

May 6 - June 7

Top 3 threat types blocked (Ransomware & Exploits, Potentially unwated application (PUAs), Malware protection)

Overview

Highlights

| 331 Total threats blocked | 161 Total assets protected | 0 Websites blocked and warned |

Users and Devices

| 119 Users protected | 128 Computers protected | 33 Servers protected |

Intrusions Blocked

#	Intrusion Name	Counts
1	ThinkPHP.Controller.Parameter.Remote.Code.Execution	2
2	BuleHero.Trojan.Downloader	1
3	Snort.TCP.SACK.Option.DoS	1
4	TCP.Window.Size.Zero.DoS	1

Intrusions By Severity

%	Severity	Occurrence
40.0%	critical	2
40.0%	low	2
20.0%	high	1

Devices and users: summary   See Report

Endpoint Computer Activity Status

142

- 130 Active
- 5 Inactive 2+ Weeks
- 7 Inactive 2+ Months
- 0 Not Protected

Endpoint and server web control   See Reports

| 1 Web Threats Blocked | 934 Policy Violations Blocked |
| 1293 Policy Warnings Issued | 6725 Policy Warnings Proceeded |

last 30 days