Orkney and Shetland Valuation Joint Board

Item: 9

Orkney and Shetland Valuation Joint Board: 10 March 2026.

Internal Audit – Corporate Governance and Risk Management.

Report by Chief Internal Auditor.

1. Overview

1.1. The internal audit plan 2025/26 includes a review of Corporate Governance and Risk Management. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.

1.2. Effective governance and risk management are essential to ensure compliance with legislation, transparency, accountability and delivery of Best Value.

1.3. The objective of this audit was to evaluate whether the Board's governance framework, risk management processes, and associated internal controls are well-designed, operating effectively, and compliant with relevant legislation and good practice standards.

1.4. The audit provides Substantial assurance that processes and controls relating to Corporate Governance and Risk Management are well controlled and managed.

1.5. The internal audit report, attached as Appendix 1 to this report includes 1 low priority recommendation regarding the Annual Governance Statement.

2. Recommendations

2.1. It is recommended that members of the Board:

i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls in respect of Corporate Governance and Risk Management, in order to obtain assurance that action has been taken or agreed where necessary.

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Implications of Report

1. **Financial -** None directly related to this report.
2. **Corporate Governance –** The Board's consideration of Internal Audit recommendations and review of the actions taken, contributes to the continuing effectiveness of the governance framework.
3. **Human Resources -** None directly related to this report.
4. **Equalities -** None directly related to this report.
5. **Island Communities Impact -** None directly related to this report.
6. **Environmental and Climate Risk -** None directly related to this report.
7. **Risk -** None directly related to this report.
8. **Procurement -** None directly related to this report.
9. **Health and Safety -** None directly related to this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Corporate Governance and Risk Management.

Appendix 1

Orkney & Shetland Valuation Joint Board

Internal Audit

Audit Report

O&SVJB Corporate Governance and Risk Management

Draft issue date: 13 February 2026

Final issue date: 26 February 2026

Distribution list:	**O&SVJB Assessor and ERO** **O&SVJB Treasurer** **O&SVJB Clerk**

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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial	**The framework of governance, risk management and control were found to be comprehensive and effective.**

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

This internal audit review assessed the effectiveness of the corporate governance and risk management arrangements in place within the Orkney and Shetland Valuation Joint Board (OSVJB). The objective of the audit was to evaluate whether the Board's governance framework, risk management processes, and associated internal controls are well-designed, operating effectively, and compliant with relevant legislation and good practice standards.

Our review confirmed that the Board operations demonstrate the following:

- There is a clearly defined governance structure supported by an up-to-date Constitution and Standing Orders.
- Roles and responsibilities are well established.
- Mechanisms for appointment of Members, delegation and conduct of business are functioning as intended.
- There has been strong progress in addressing previous governance-related recommendations raised by external audit and the Accounts Commission.
- Risk management arrangements have been strengthened since the introduction of the Risk Management Policy and Strategy 2023- 2026.

The report includes 1 recommendation which has arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to provide an update on progress with the agreed actions.

Total	High	Medium	Low
1	**0**	**0**	**1**

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Orkney and Shetland Valuation Joint Board (the Board / OSVJB) was established in 1996, under The Valuation Joint Boards (Scotland) Order 1995, and its primary purpose is to discharge all the functions of its two constituent authorities, Orkney Islands Council (OIC) and Shetland Islands Council (SIC) as valuation authorities under the Valuation Acts.

The Board is responsible for appointing the Assessor for Orkney and Shetland, an independent statutory official responsible for the preparation and maintenance of the Valuation Roll and the Council Tax Valuation List. The Assessor has also been appointed as Electoral Registration Officer for both Orkney and Shetland and is, therefore, also responsible for the preparation and maintenance of the Register of Electors or Electoral Roll.

Effective governance and risk management are essential to ensure compliance with legislation, transparency, accountability and delivery of Best Value.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit included:

- Governance structure and roles.
- The Scheme of Delegation and Standing Orders.
- Risk management policy, risk register and escalation processes.
- Board oversight.
- Compliance with relevant legislation.

Audit Findings

1.0 Governance Structure, Roles and Responsibilities

1.1 The Constitution and Standing Orders (CSO) document, which was last updated in 2022, sets out the purpose and details of the constitution of the Board. It notes that the Board comprises 10 Members appointed from the constituent authorities, with 5 each from OIC and SIC. Up to 5 Substitute Members may also be appointed by each authority.

1.2 Both the OSVJB page within the OIC website, and the OSVJB website, set out the current structure which is in line with the requirements of the CSO.

1.3 In addition, the CSO sets out the mechanisms for the appointment of Members, and the cessation of their Membership. Since the appointment of the Board in 2022 there have been changes in both the Substantive Members and the Substitute Members. These changes have been dealt with in accordance with the CSO.

1.4 The roles and responsibilities of the Convener, Depute Convener and Board Members, together with how they are elected or appointed, are also covered by the CSO, in sections 4.16 to 5.3.

1.5 The Financial Regulations include a section on probity and the Contract Standing Orders include a section on conduct. Both of these sections require that Board Members and Employees must act in accordance with The Councillors' Code of Conduct and the Code of Conduct for Employees of Orkney Islands Council respectively. In addition, Board Members and Senior Employees are required to declare changes in their financial and non-financial interests to the Clerk.

1.6 Controls around Governance Structure, Roles and Responsibilities are effective and operating satisfactorily.

No Recommendation Made

2.0 Scheme of Delegation and Standing Orders

2.1 The CSO also covers the conduct of meetings, how motions and amendments may be put, and voting. There are specific sections allowing delegation to officers and Sub-committees where required and covering the extent to which matters may be delegated.

2.2 Further details in respect of delegation to officers are set out in the Scheme of Delegation to Officers document (SDO), which was drawn up in December 2022, and revised in September 2024. There are specific schedules of powers or functions delegated to the Clerk, Treasurer and the Assessor and Electoral Registration Officer (ERO).

2.3 Delegations to the Assessor and ERO are also delegations to the Depute Assessor and Depute ERO, but only in those circumstances where the Assessor and ERO is not available. The specific areas in which the Assessor and ERO has delegated authority are grouped under the following headings: Corporate Governance, Finance and Resources, Procurement, Human Resources, and Information Governance.

2.4 These Standing Orders and Scheme of Delegation adequately define decision-making authority.

No Recommendation Made

3.0 Actions taken in respect of former recommendations around Governance

3.1 A number of recommendations had been made historically in the area of Governance by external audit, and subsequently in a report to the Accounts Commission in March 2022. These were reviewed as part of the 2022/23 internal audit of governance and risk management, and have been further reviewed as part of this audit.

3.2 We note that the external auditors followed up on their prior year recommendations annually, with the last recommendation being shown as completed in their report for 2023-24. No governance issues were identified subsequently in their 2024-25 report.

3.3 Following on from both external audit and Accounts Commission recommendations, training was undertaken in 2022 on the roles and responsibilities of Board Members, as part of the Induction programme for the new Board. In addition, an analysis of skills for Board Members was undertaken, and training requested on specific activities and concepts.

3.4 Training was provided to Board Members in March 2023 on the Barclay Review and the 2023 Business Rates Revaluation. In September 2024, training was provided on Good Decision-making and Non-Domestic Rates, and in September 2025, training was undertaken on public interaction with the OSVJB. As noted in the 2022/23 internal audit, the agreement with the external legal providers includes the capacity to provide training in respect of governance if required.

3.5 As a result, the previous recommendations have been fully completed, and regular Board training has become part of business as usual. We have no further recommendations to make in this area.

No Recommendation Made

4.0 Risk Management Policy, Risk Register and Escalation Processes

4.1 The 2022/23 internal audit of governance and risk management recommended that the Board consider the adoption of a Risk Policy. As a result, a Risk Management Policy and Strategy 2023 – 2026 was approved in March 2023.

4.2 The Risk Register is comprehensive, identifying and addressing over 70 risks. This has been updated and approved by the Board annually, most recently in November 2025.

No Recommendation Made

5.0 Board Oversight

5.1 The Board reviews, challenges and approves the audited accounts by the statutory deadline of 30 September.

5.2 There is an approved Internal Audit Charter which was presented to the Board in March 2025, together with the Internal Audit Strategy and Plan. There are two or three internal audits each year. Recommendations from the audits are collated in an Internal Audit Actions Tracker, and this is regularly updated and presented to the Board.

5.3 The Board scrutinises budgets including budget assumptions, operational plans and financial monitoring reports. In addition, the risk register noted at paragraph 4.2 above includes a specific section on financial risk.

5.4. The Board is presented with an annual Best Value Performance Report which looks at the annual performance related targets and outcomes in relation to the statutory Valuation functions. In addition, there are two Best Value Progress Reports each year which report on the primary service functions, including electoral registration.

5.5 Minutes from the relevant meetings record both queries from Members and Officers responses in respect of the reports detailed above. Accordingly, we conclude that Board oversight is satisfactory.

No Recommendation Made

6.0 Compliance with Legislation

6.1 The primary area of legislation for the OSVJB is around the primary service functions; Council Tax Valuation List, Valuation Roll (Non-Domestic), Electoral Registration and the relevant appeals. These require that the relevant lists and rolls are compiled and maintained, and that statutory valuation appeals and proposals are processed. The Board complies with these requirements as part of its day-to-day operations.

6.2 The Board has additional requirements in respect of producing and publishing audited accounts, which include specific statements, including an Annual Governance Statement (AGS). This requirement is set out in the Local Authority Accounts (Scotland) Regulations 2014. The Regulations require the AGS to be produced in accordance with proper accounting practices and recognised guidance.

6.3 Current recognised guidance is the publication *Delivering Good Governance in Local Government: Framework* issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE). The guidance sets out 7 principles, A to G. This guidance was issued in May 2025 and applies to financial year 2025/26 onwards, however the prior version of this document issed in 2016 also includes the same principles.

6.4 The AGS within the accounts for 2024/25 was reviewed against the core arrangements under each of the principles within the 2016 guidance. A number of these arrangements were not covered within the AGS.

6.5 We recommend that the future AGS within the accounts is reviewed to ensure that governance is both meeting and recorded as meeting the elements within the publication Delivering Good Governance in Local Government: Framework.

Recommendation 1

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 The Annual Governance Statement within the accounts is reviewed to ensure that governance is both meeting and recorded as meeting the elements within the guidance framework.	Low	The Assessor accepts the recommendation and will work with officers at Orkney Islands Council in preparation of the Annual Governance Statement within the accounts to ensure that it is achieved.	Assessor	30 June 2026

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.