

## SCOTTISH QUALIFICATIONS AUTHORITY

A100/2 i

### AUDIT COMMITTEE – 29 AUGUST 2022

For approval

Minutes of the ninety-ninth meeting of the Audit Committee held on Monday 13 June 2022 at 10 am by Microsoft Teams.

#### Members

- \* Mr H McKay (Convenor)
- \* Ms A Davis
- Dr W Mayne
- \* Prof K Thomson

#### Officers

- \* Mr M Baxter
- \* Ms F Robertson
- Dr G Stewart

\* indicates present

#### In attendance

[REDACTED], SQA  
Mr S Borley, SQA  
[REDACTED], SQA  
[REDACTED], Grant Thornton  
[REDACTED], Grant Thornton  
Mr A Dickson, SQA  
[REDACTED], SQA  
[REDACTED], SQA  
[REDACTED], Audit Scotland  
[REDACTED], Azerts (until A99/5)  
[REDACTED], Audit Scotland  
[REDACTED], SQA (A99/11 only)  
Ms M Mahmoud, SQA (A99/5 only)  
Ms L McGrath, SQA (A99/5 only)  
Mr D Middleton, SQA  
Mr S Sharkey, SQA (A99/5 only)  
[REDACTED], Azets (until A99/5)

#### Observer

[REDACTED], Scottish Government

#### 99/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-ninth meeting, including Mr David Middleton, SQA Chair, [REDACTED] from the Sponsorship Team at the Scottish Government and colleagues from Audit Scotland, Azets and Grant Thornton.

Apologies for absence were received from Dr Mayne, Dr Stewart, Mr Downie and [REDACTED], from Audit Scotland.

There were no conflicts of interest declared.

#### 99/2 **MINUTES OF THE PREVIOUS MEETING**

##### i **Approval of minutes from previous meeting**

The minutes of the ninety-seventh meeting of the Committee held on 14 March 2022 were approved as an accurate record of the meeting.

##### ii **Action Grid**

The Committee noted the closure of the two actions recorded.

##### iii **Workplan**

The Committee noted the contents of the workplan.

#### 99/3 **MATTERS ARISING**

There were no matters arising.

#### 99/4 **INTERNAL AUDIT ACTIVITY – SQA**

##### i **SQA Internal Audit Work Report**

Mr Dickson presented the report that detailed the completing of the residual 2021-22 Internal Audit Plan by Azets and the initial progress against the 2022-23 Internal Audit Plan by Grant Thomson. The KPI continued to be reported at amber due the rolling twelve-month period, however, this had remained stable at 21%. Progress continued to be made against Management Actions with eleven internal audit actions validated and closed by Azets.

It was noted that the progress of the ISO audit plan was back on track, following the approval of the in-house 2022-23 ISO audit plan.

The Committee noted the contents of the report.

##### ii **Internal and External Audit Tracker Reports**

###### *Internal Audit Tracker Report*

As previously reported (A99/4 i refers), eleven internal audit actions had been validated and closed by Azets.

It was highlighted that the internal audit actions from the Stakeholder Engagement audit were interconnected to a wider programme to transform audience engagement and a proposal to reform SQA's stakeholder research programme had recently been produced and accepted by the Executive Management Team (EMT). The additional work required to implement the Stakeholder Engagement internal audit actions would delay the completion of these and therefore increase the KPI within SQA's Internal Audit Work Report

(A99/4 i refers). It was anticipated that an overview of the programme would be shared with the SQA Board in due course.

In the ensuing discussion the following internal audit actions were covered:

- **166.2 – 2.2 Policy Review Dates (Payroll audit)**

It was noted that SQA's Pay Policy was in the final stages of consultation, and it was anticipated that the action would close by the next meeting.

- **172.2 – 3.1 Succession planning and development needs (Succession Planning audit)**

It was explained that there had been a delay in closing out this internal audit action due to recent senior staff turnover and new successors had to be identified. The Committee was assured that this would continue to be closely monitored.

- **187.6 – 15.1.1 Information Security Policy for Supplier Relationships and 15.2.1 Monitor and review of supplier services (ISO27001 - IT Controls audit)**

It was noted that the necessary governance arrangements had been established and completed by the target date. Due to the lead in time to produce the report, evidence was unavailable for validation and closure, however this would be submitted for the next meeting.

The Committee noted the contents of the report.

*External Audit Tracker Report*

The Committee noted the contents of the report.

iii **Audit Scotland National Reports**

██████████ provided an overview of SQA's activity and responses to reports published between October 2021 to April 2022. During the period, four reports were identified and reviewed by EMT, that then proceeded to relevant Directorates for further review. Following this, no further action was required for these.

The Committee noted the contents of the report.

v **SQA's Internal Audit Annual Report for year ending 31 March 2022**

Mr Dickson presented the report that provided an annual assurance statement from the Finance and Corporate Services Directorate on various aspects of the team's work for the year ending 31 March 2022. A total of 57 Management Actions had been agreed, with 54 implemented to strengthen SQA's controls further.

The Committee was assured that despite the change to SQA's internal auditors, there would be no change to the tracking reports (A99/4 ii refers). Any outstanding actions by Azets would be reviewed and validated for closure by Grant Thornton.

The Committee noted the report.

Welcomed to the meeting were Ms Dawnne Mahmoud, Director of People, Ms Liz McGrath, Head of Qualifications Portfolio Management, and Mr Stephen Sharkey, Head of IT Service Delivery.

## 99/5 INTERNAL AUDIT ACTIVITY - AZETS

### i Follow Up Report Q4 2021-22

██████████ presented the report for the period February to May 2022, which validated the previous two reports (A99/5 i and ii). Sufficient evidence had been received to validate and close eleven actions. The number of open actions had decreased from 22 to 14.

The Committee noted the contents of the report.

### ii Internal Audit Report – Review of Restructure Implementation

██████████ presented the report that reviewed the application of the Restructuring and Redeployment Policies following a planned restructuring process. She highlighted that the only full restructure carried out under the current Restructure Policy at the time of the audit was for the newly created Communications Directorate and therefore the audit testing focused on this area.

A positive report with robust and efficient controls in place with several areas of good practice identified. One minor improvement action was identified that would allow SQA to further strengthen the control framework.

Ms Mahmood advised that her team had welcomed the report, particularly that policies were well-documented and up to date. This was particularly important given that SQA was going through the reform and that there continued to be a period of uncertainty.

The Committee were encouraged by the assurance provided by the findings and noted the contents of the report.

### iii Internal Audit Report – Software Asset Management

██████████ presented the report that reviewed the effectiveness of software asset management processes within SQA.

A number of areas for improvement in relation to controls and management arrangements over software asset management had been identified.

The Committee noted that Business Systems had requested the review of this complex area with different licencing models in place across different vendors. The Committee concurred how valuable an independent audit could be to move forward on known issues within organisations.

Following Azets recommendation SQA had started to take forward the management actions, including the recruitment for an Asset Manager to manage

and monitor SQA's assets. Mr Sharkey was pleased to report that following a check of eight contract licences all had been within the acceptable range for compliance and the Committee were encouraged by this finding. It was noted that any identified shortfalls in licences were being dealt with appropriately.

The Committee noted the contents of the report.

Ms Mahmood left the meeting.

**iv Internal Audit Report – Partnership Working**

██████████ presented the report that reviewed SQA's high level arrangements for partnership working to ensure that effective partnership working and collaboration with stakeholders was in place and managed effectively within the Qualifications Development Directorate.

The report revealed good practice in a number of areas and that there were appropriate arrangements for identifying partners and determining objectives and deliverables. There was sufficient oversight of partnership activity and appropriate reporting to relevant governance groups, which in turn included representation from key partners ensuring effective communication and decision-making. One minor improvement action was identified regarding scenario planning, and once the corrective action had been implemented, this would allow SQA to further strengthen the control framework.

Acknowledging that effective partnership working relied on a robust relationship where both parties could challenge and feedback, to foster a culture of continuous improvement. The Committee took the opportunity to commend SQA for the adjustments to communication arrangements with partners during the COVID-19 pandemic.

The recommendation from the audit in this area was to introduce a mechanism for formally obtaining, analysing and acting upon partners' feedback on a periodic basis. Including this was to implement procedures to formally gauge partners' levels of satisfaction so that this could inform future decisions regarding partnership working. The Committee was assured that as part of NQ2023 arrangements this would be incorporated. It was highlighted that following feedback SQA had changed some publications to read 'you said, we did' and this had been welcomed by stakeholders.

The Committee were encouraged by the assurance provided by the findings and noted the contents of the report.

**v Internal Audit Report – Internal Audit Annual Report 2021-22**

██████████ presented the report that summarised Azets key findings and conclusions from the internal audit work undertaken at SQA during 2021-22.

The Committee noted that Azets were providing reasonable assurance regarding SQA's governance framework, effective and efficient achievements of objectives and the management of key risks.

The Convenor took the opportunity to acknowledge the valuable contribution, commitment and engagement that Azets had provided to the Committee and SQA colleagues. In response ██████████ thanked all at SQA for the support and diligence during Azets appointment as SQA's internal auditors.

██████████, Ms McGrath, Mr Sharkey and ██████████ left the meeting.

## 99/6 INTERNAL AUDIT ACTIVITY – GRANT THORNTON

### i Internal Audit Progress Report

██████████ presented Grant Thorntons inaugural progress report that was a summary of internal audit activity as of May 2022. The Committee noted that the scoping of three reviews had commenced and the fieldwork for two reviews was planned.

The Committee noted the contents of the report and the audit reviews proposed for consideration at the next meeting of the Committee.

### ii Internal Audit Plan

The Committee noted that there was no change to the 2022-23 internal audit plan at this stage. An updated plan would be presented to the next meeting that would identify the reviews to be undertaken post September 2022 along with allocation of the 61 days assigned to contingency that had yet to be allocated.

## 99/7 RISK MANAGEMENT

### i 2021-22 Q4 Corporate Risk Register and Risk, Opportunity and Issues report

██████████ presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q4 Corporate Risk Register (CRR) and quarterly Risks, Opportunities and Issues (ROI) report. SQA's overall risk profile remained high, and this was anticipated and consistent with the challenging circumstances the organisation faced.

She went on to present the current status of the CRR that had been reviewed by the Risk and Opportunities Group and then endorsed by EMT, including proposals on some risks since the last meeting.

- *Risk 21CRR60R - Risk was around external factors or decisions impacting on SQA awarding activities for national qualifications for 2022 and beyond.*

It was proposed to reduce the 'P' score from four to three and 'I' score from 50 to 25, changing the risk rating from red to amber. This was because the Exam diet was underway and SQA had prepared as much as possible, with contingency plans developed to ensure awarding of qualifications could continue, as well as for exceptional circumstances and Appeals.

The Committee endorsed the risk reduction.

- *Risk 21CRR63R - Risk was associated with SQA colleagues, management and Trade Unions views, experience, expertise, and knowledge not sought or taken into consideration in Professor Muir and Professor Hayward's work. This could lead to an increase in resignations which may impact the ability to establish a new successful organisation.*

It was proposed to close this risk given that the Muir review had concluded and manage the consequences through 21CRR61R (Risk was associated with colleagues who are disengaged, demotivated, and concerned about job security following the Scottish Government announcement to replace SQA. This could lead to poor morale, impact on wellbeing, increased sick absence, resignations, and Trade Union unrest.).

Following discussion, the Committee agreed that the risk should be retained on the CRR at this stage, given that the risk was linked to the SQA/Scottish Government risk register and was one of the five risks escalated to the SQA Board and subsequently to the Scottish Government.

- *Risk 22CRR70R - New risk*

It was proposed to add a new risk in relation to the below inflationary pay increases and limited additional flexibilities outlined within Public Sector Pay Policy that could lead to prolonged pay negotiations with trade unions and ultimately trade unions rejecting the pay deal.

The Committee endorsed the addition of the new risk.

In closing, the Committee requested that the risks already escalated to the Scottish Government could be highlighted within the report.

## ii **Assurance Map Review**

The Committee were reminded that following establishment in 2019, it was agreed to undertake an annual review of the Assurance Map to ensure it remained up-to-date and a useful tool to ensure SQA's governance arrangements and responsibilities were appropriate and proportionate.

Following the review of the existing assurance mechanisms there was a change to the level of assurance available from internal audit for Customer/Stakeholders and this had resulted in a series of customer/stakeholder focused internal audits undertaken by Azets.

SQA was developing a comprehensive alternative executive management governance structure that aligned to the outcomes in the Performance Framework. It was noted that when implemented a full review of the Assurance Map would be undertaken.

The Committee approved the change to the Assurance Map.

**99/8 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND INTERIM MANAGEMENT LETTER 2021-22**

██████████ presented details from the review that Audit Scotland had conducted to date to evaluate whether the controls operating within SQA’s main financial system were sufficient to allow reliance on forming an opinion on the 2021-22 financial statements.

Overall, the key controls within SQA’s main financial systems were operating satisfactorily. SQA had made progress and plans were in place to meet the area’s identified that do not meet the requirements.

The Committee welcomed the reassuring report.

**99/9 ANNUAL FRAUD REPORT 2021-22**

Mr Borley presented the report which highlighted that there were no on-going instances of suspected financial irregularity carried forward into 2021-22 and that no new ones were identified. Management continued to raise awareness and understanding of responsibilities across the organisation.

The Committee noted the report.

**99/10 INFORMATION GOVERNANCE ANNUAL REPORT 2021-22**

Mr Baxter presented the report that provided the Committee with assurances that information governance had been well managed within SQA during 2021-22.

The Committee noted the contents of the report and that SQA complied with legislation and had demonstrated a good performance in responding to requests for information in the required timescales.

**99/11 UNAUDITED ANNUAL REPORT AND ACCOUNTS 2021-22**

██████████, Senior Accounting Manager, was welcomed to the meeting.

The Committee were reminded following recommendations from Audit Scotland that the unaudited Annual Report and Annual Accounts should be presented to this meeting, prior to approval of the audited Annual Report and Accounts at the August meeting for remit to the SQA Board in September.

Mr Baxter reminded the Committee that the Annual Report and Accounts were divided into three sections, and it was noted that Section A (Performance Report) was discussed at the Performance Committee at its meeting in May.

He went on to provide an overview of the draft Section B (Accountability Report) and Section C (the unaudited Annual Accounts 2021-22). The Committee had also been provided with a detailed cover paper, which had highlighted the key points and explained any amounts beyond that covered in the notes to the accounts.



The Committee suggested a number of minor textual amendments to Section B and C of the unaudited Annual Report and Annual Accounts 2021-22.

██████████ left the meeting.

#### 99/12 **COMMITTEE STANDING ORDERS**

Mr Baxter presented the Committee Standing Orders as per the annual review schedule, noting that it was a critical document, and some minor amendments were proposed.

It was highlighted that Grant Thomson, SQA's new internal auditors, had confirmed that Section 11.3 on internal audit was in-line with what they would expect within Standing Orders, and this was noted by the Committee.

The Convenor thanked all for contributing to the review, particularly Dr Mayne who had scrutinised these in detail.

The Committee endorsed the amendments and agreed that the Standing Orders would be presented to the SQA Board for formal approval at its September meeting.

#### 99/13 **ANY OTHER BUSINESS**

There was no further business raised.

#### 99/14 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 29 August 2022 and would be held by MS Teams.

#### **PRIVATE SESSION**

##### *Review of Effectiveness*

As per the suggestion of good practice from the Scottish Government Audit and Assurance Committee Handbook, the Committee undertook a review of its own effectiveness.