

SCOTTISH QUALIFICATIONS AUTHORITY

A102/2 i

AUDIT COMMITTEE – 13 MARCH 2023

For approval

Minutes of the one hundredth and first meeting of the Audit Committee held on Monday 21 November 2022 at 10 am by Microsoft Teams.

Members

- * Mr H McKay (Convenor)
- * Ms A Davis
- * Dr W Mayne (A101/6 onwards)
- Prof K Thomson

SQA Officers

- * Mr M Baxter
- * Ms F Robertson
- * Mr A Dickson
- * [REDACTED]
- * Ms Y Raven

* indicates present

In attendance

Mr J Booth, SQA (A101/1 – A101/4 iii)

Mr S Borley, SQA

[REDACTED], SQA
[REDACTED], Grant Thornton (A101/1 – A101/4 v)

Mr M Campbell, SQA (A101/1 – A101/4 v)
[REDACTED], Grant Thornton (A101/9 onwards)

[REDACTED], SQA
[REDACTED], SQA (A101/5 i – iii)
[REDACTED], SQA (A101/1 – A101/8)
[REDACTED], Grant Thornton

Mr D Middleton, SQA Chair (A101/1 – A101/8)

[REDACTED], SQA (A101/9)
[REDACTED], Audit Scotland
[REDACTED], Grant Thornton (A101/1 – A101/4 v)

101/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one-hundred and first meeting, including Mr John Booth, Director of Communications and Mr Martin Campbell Director of Business Systems, who were in attendance for the Grant Thornton reports.

Apologies for absence were received from Professor Thomson, Dr Stewart and [REDACTED] from the Sponsorship Team at the Scottish Government.

It was noted that Dr Mayne would join the meeting later and the SQA Chair, as a non-executive member of the SQA Board, would stand-in as a member of the Committee to enable the necessary quorum for the meeting, as per the Standing Orders.

There were no conflicts of interest declared.

101/2 **MINUTES OF THE PREVIOUS MEETING**

i **Approval of minutes from previous meeting**

The minutes of the one hundredth meeting of the Committee held on 29 August 2022 were approved as an accurate record of the meeting.

ii **Action Grid**

The Committee noted the closure of the one recorded action.

iii **Workplan**

The Committee noted the contents of the workplan.

101/3 **MATTERS ARISING**

There were no matters arising.

101/4 **INTERNAL AUDIT ACTIVITY - GRANT THORNTON**

The Convenor explained that due to other commitments with colleagues at Grant Thornton, the agenda had been rearranged for this meeting only.

i **Internal Audit Progress Report**

██████████ provided an overview of the progress against the 2022-23 Internal Audit Plan, highlighting the completion of four reviews and a fieldwork and a draft report completed for another.

The Committee was reassured that the 27 contingency days yet to be allocated, was consistent with previous years.

It was highlighted that the timing of the fieldwork for the Transitional Arrangements review would be postponed from December 2022 into early 2023. This was to enable a fuller review to be undertaken, given the scope was to determine the adequacy of internal controls around the initial planning and governance work associated with the transition programme.

The Committee noted the contents of the report.

ii **Follow-up Report**

The Committee noted the summary of the progress made by SQA in implementing previous internal audit recommendations during the period from August to October 2022.

iii **Internal Audit Report – Internal Communications**

██████████ presented the report that considered the processes in place for communicating internally within SQA to determine if they were working effectively.

The audit identified one medium and one low rated finding. The controls in place enabled Grant Thornton to provide a reasonable level of assurance with some improvement required.

The Committee highlighted the importance of internal communications, especially as SQA transitioned into the new organisation and noted the contents of the report.

Mr Booth left the meeting.

iv **Internal Audit Report – Cyber Security Review**

██████████ presented in detail the report that considered the design and operation of key controls relating to SQA's Cybersecurity arrangements. Grant Thornton applied aspects of the National Cyber Security Centre's (NCSC) 10-Steps to Cyber and reviewed arrangements to meet compliance with the framework and controls in relation to cyber security.

The audit identified two high and four medium rated findings. The controls in place enabled Grant Thornton to provide a partial level of assurance with some improvement required as they operated with sufficient effectiveness. It was highlighted that the risks identified were along the same as other sized clients of Grant Thornton.

██████████ **Redacted - section 30 (b)(ii)**

As recently appointed, Mr Campbell was encouraged by the report that highlighted that the fundamentals in place were effective. He took the opportunity to thank ██████████ for the robust audit, and that the feedback from the team had been positive, specifically to have an auditor that recognised not all risks were the responsibility of IT but were across the whole organisation.

The Committee was reassured that significant improvements had been made regarding cyber security within SQA over the past few years.

The Committee noted the contents of the report.

v **Internal Audit Report – Ofqual Centre Assessment Standard Scrutiny (CASS) Compliance Review**

██████████ presented the report that considered the controls (design and operation) in place in relation to Ofqual CASS Compliance. The audit demonstrated effective controls in this area, with one low rated finding identified. The controls in place enabled Grant Thornton to provide a reasonable level of assurance.

The Committee noted the contents of the report.

vi **Internal Audit Report – Risk Management**

██████████ presented the report that evaluated the adequacy of internal controls in place around Risk Management. The audit demonstrated effective risk management in this area, with one low rated and one improvement findings identified. The controls in place enabled Grant Thornton to provide a reasonable level of assurance.

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

██████████, was welcomed the meeting. ██████████, Mr Campbell and ██████████ left the meeting.

101/5 **INTERNAL AUDIT ACTIVITY – SQA**

i **SQA Internal Audit Work Report**

Mr Dickson presented the report that detailed the progress against the 2022-23 Audit Plan advising that progress remained at amber and that the KPI had increased from 22% to 30%. The higher KPI was likely to continue given the challenging circumstances of SQA and the lagging nature of the KPI.

The Committee noted the contents of the report.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

██████████ presented the report detailing that two internal audit actions were validated and closed by Grant Thomson. In the ensuing discussion the following internal audit actions were covered:

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

It was noted that publication had been delayed due to other work priorities, and it was anticipated that the action would close by the next meeting.

Discussion led to the recent pay dispute and the Committee were mindful that SQA was subject pay negotiations within the public sector pay policy set by the Scottish Government. It was welcomed that engagement around how management could inform and consult more effectively with trade unions had taken place, including discussions with the Scottish Government and Mr Grahame Smith, given his role on the SQA Board.

- 186.2 – 1.1 Stakeholder Engagement Strategy (Stakeholder Engagement audit)

In response to a query around SQA's stakeholder map it was advised that this work would be taken forward following the establishment of the New Qualifications Body Delivery Board. This work would align and complement the engagement activities of the wider Scottish Government education reform programme.

The Committee noted the contents of the report.

External Audit Tracker Report

The Committee noted the contents of the report and that two external audit actions had been closed.

iii **ISO 9001 & 27001 Recertification Audit – September 2022**

██████████ advised that after over twenty years with LRQA, a new certification body, NQA, had taken over the ISO certification. In September 2022 they conducted a Transfer and Recertification Audit to verify the level of conformance of SQA's quality and information security management systems to the assessment criteria of ISO 9001:2015 & ISO/IEC 27001:2013 standards. Two Major and two Minor Non-conformances (NC), along with seven Opportunities for Improvement (OFI) were identified, which resulted in certification not recommended.

An action plan to address the NCs had been developed, and SQA had until mid-December to complete and present evidence to NQA. Any failures to address the findings would result in SQA not receiving certification. The Committee was assured that NQA had endorsed the action plan and SQA were anticipating that recertification would be granted, subject to successful completion of the action plan.

It was highlighted that the Opportunities for Improvements were suggestions for how SQA could improve the management systems, and did not need to be implemented, however, these would need to be considered before the next audit.

The Committee acknowledged the serious endeavour needed across SQA to deliver on the action plan, and appreciation was given to ██████████ for leading on this.

██████████ left the meeting.

iv **Audit Scotland National Reports**

██████████ provided an overview of SQA's activity and responses to Audit Scotland National Reports published between May to October 2022. During the period, six reports were identified and reviewed by EMT, with all proceeding to relevant Directorates for further review.

The Committee noted the contents of the report.

Dr Mayne joined the meeting.

101/6 **2022-23 Q2 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT**

██████████ presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q2 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. Trend data indicated that risks, opportunities and issues were managed more effectively across SQA, and this was acknowledged by the Committee.

She went on to present the current status of the CRR that had been reviewed by the Risk and Opportunities Group (R&OG) and then endorsed by the Executive Management Team (EMT), including proposals on some risks since the last meeting.

- *Risk 14CRR3R - Risk was around a breach of information security.*

The Committee were reminded that at the last meeting the risk had been proposed to be split, however, the R&OG had agreed that an in-depth Risk Assessment tool would be used to review the risk with the aim to add value.

Following the risk assessment, it was proposed to close the risk and replace with a new risk (22CRR71R refers) which would be jointly owned by Business Systems and Finance & Corporate Services Directorates.

The Committee endorsed the risk closure.

- *Risk 22CRR71R - New risk.*

It was proposed to add the new risk around a breach of information security as a replacement for Risk 14CRR3R and the Committee endorsed the risk addition.

- *Risk 20CRR44R - Risk was around the Coronavirus outbreak that could disrupt SQA's business as usual activity.*

It was proposed to close the risk as was associated with awarding 2021 and awarding 2022 which had been completed and the Committee endorsed the risk closure.

- *Risk21CRR69R - Risk was around out of hours coverage arrangements for Main Diet based on best endeavour may not be sufficient to support Quality Assurance, e-Marking and Post Results Services/Appeals.*

It was proposed to close the risk as awarding 2022 had been completed and the Committee endorsed the risk closure.

- *Risk 22CRR70R - Risk was around below inflationary pay increases and limited additional flexibilities outlined within the Public Sector Pay Policy that could lead*

to prolonged pay negotiations with trade unions and ultimately trade unions rejecting the pay deal.

It was proposed to close the risk as the 2022-23 pay award had been confirmed and the Committee endorsed the risk closure.

- *Risk 21CRR58R - Risk was around following the Scottish Government to replace SQA there was a risk of loss of customer confidence impacting on current and future contracts and income generating opportunities.*

It was proposed to de-escalate the risk from the CRR and manage through the Business Development Directorate ROI register because clients had been provided with reassurance that SQA's commercial functions would be continuing post Muir Review, therefore there was no risk at present.

The Committee endorsed the de-escalation from the CRR.

- *Risk 21CRR65R - Risk was associated with SQA being unable to maintain positive colleague and union engagement as a result of low colleague morale and continued uncertainty in the current climate.*

It was proposed to reduce the post-score probability from three to two, changing the rating from red to amber as a result of positive progress to mitigate the risk.

The Committee endorsed the post-score probability reduction.

- *Risk 21CRR63R - Risk was associated with the replacement of SQA and had been escalated to the Scottish Government.*

The Committee noted that a reduced post score probability was proposed and had not been supported by the R&O, who had agreed to defer and review the position in Q3.

- *Risk 21CRR61R, Risk 21CRR62R, Risk 21CRR64R – Risks were associated with the replacement of SQA and had been escalated to the Scottish Government.*

The proposal was to reduce the post-score probability from three to two, changing the risk rating from red to amber for all three risks.

The Committee agreed that these risks were associated with people resources and although data had indicated some positive movement it was premature to reduce the scoring. It was agreed that the position would be reviewed in Q3 when the results of the recent People Survey would have been considered.

It was highlighted that additional resource requirements to deliver the reform programme, whilst SQA were continuing to deliver its existing functions, had been approved by the Scottish Government. It was noted that additional resource for the next stage would be required, and a proposal would be submitted to the Scottish Government.

- *Issue 22CRR72I - Issue escalation.*

It was proposed to escalate an issue in relation to the reduction in the number of Board members and that the Scottish Government had put a hold on recruitment of SQA Board members.

The immediate issue was a replacement for the Convenor of the Audit Committee, who required to be appropriately qualified and the SQA Chair advised that the Scottish Government were pursuing options to find a replacement for this position without requiring full public appointment rounds. This could include the secondment of an appropriately qualified individual.

The Committee endorsed the escalation of the issue.

- *Risk 22CRR73R - Risk escalation.*

It was proposed to escalate a risk in relation to the current technology (QAMS) to support HNVQ Quality Assurance was inflexible, unstable and built on a platform that was difficult to support.

The Committee endorsed the escalation of the risk.

- *Risk 22CRR74R - Risk escalation.*

It was proposed to escalate a risk in relation to running three different quality assurance processes (normal, CASS, HN Next Generation) could lead to confusion internally and externally.

The Committee endorsed the escalation of the risk.

101/7 **2023-24 ANNUAL BUSINESS PLAN - DRAFT**

Ms Raven presented the draft 2023-24 Annual Business Plan, following the one-year extension on the SQA's existing Corporate Plan 2020-23 from the Scottish Government.

It was noted that following the consultation period, a revised draft of the business plan would be presented to the SQA Board for approval in in early 2023. The Committee was requested to send any suggested amendments directly to Ms Raven.

101/8 **NATIONAL FRAUD INITIATIVE – 2022-23 EXERCISE**

The 2022-23 National Fraud Initiative (NFI) exercise was underway, and the Committee noted that the outcomes of investigations would be presented to a future meeting.

At this point the SQA Chair took the opportunity to thank Mr McKay for all he had contributed to the Audit Committee during his convenorship. His expertise and contribution over the years had always been clear, helpful and constructive. Although there would be further opportunity to thank him for his work at a future SQA Board meeting, he wanted to record his best wishes for the future.

The SQA Chair and [REDACTED] left the meeting.

101/9 **RISK WORKSHOP**

Welcomed to the meeting was [REDACTED].

Ms Raven and [REDACTED] directed the workshop that enabled the Committee to discuss factors that SQA should be considering when considering risks and opportunities in the coming year.

The outputs of the workshop were recorded separately.

[REDACTED] left the meeting.

101/10 **ANY OTHER BUSINESS**

There was no further business raised.

101/11 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 13 March 2023 and would be held by MS Teams.

PFN 1 Meeting Dates 2023

The Committee noted the dates presented.