

AUDIT COMMITTEE – 5 MARCH 2018

For approval

Minutes of the eighty-first meeting of the Audit Committee held on Monday 20 November 2017 at 12.45pm in Arrol, Lowden.

Redacted - section 38(1)(b)

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Ms J Blair	[REDACTED]
* Ms E Craig	* Dr J Brown	Mr S Borley, SQA
Dr W Mayne	* Ms M Cahill	[REDACTED]
* Mr R O'Hare	* Ms L Ellison	Ms C Clark, SQA
* Mr R Stewart	* Mr L Downie	Mr A Dickson, SQA
* Ms C Wilkinson	* Mr J McMorris	[REDACTED]
	* Dr G Stewart	[REDACTED]
		Ms J Ross, SQA

* indicates present

81/1 WELCOME AND APOLOGIES

Redacted - section 38(1)(b)

The Convenor welcomed members to the eighty-first meeting, including Ms Caroline Clark, Head of Finance Systems, [REDACTED]

[REDACTED] from Audit Scotland and from Scott-Moncrieff, [REDACTED]

A welcome was also extended to Mr Lee Downie, Director of Business Systems and Transformational Change, to his first Audit Committee meeting.

Apologies were recorded for Dr Wendy Mayne and from Scott-Moncrieff, [REDACTED]

There were no conflicts of interest declared.

81/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

80/1 Welcome and apologies

It was highlighted that there was a misspelling of a surname and this would be rectified.

Subject to the above amendment, the minutes of the eightieth meeting of the Audit Committee held on 31 July 2017 were approved as an accurate record of the meeting.

ii Action Grid

The Committee noted the content of the Action Grid.

iii **Workplan**

The Committee noted the content of the workplan.

81/3 **MATTERS ARISING**

A80/8 Audit Scotland – Annual Audit Report 2016-17

The Committee noted that the changes to the annual accounts process and assurance arrangements had been agreed with Audit Scotland and these would be reflected in the workplan.

81/4 **QUARTERLY PERFORMANCE REVIEW**

The Chief Executive advised that management continued to define the Key Performance Measures (KPM). Leading on presenting the executive summary she was pleased to advise that the overall position was at green and the following areas were covered in the course of discussion:

Strategic Goal 1

Achieved 100% of the RNQ milestones. The next major focus involved scoping and approving the approach to Higher changes.

Work continued to maintain and develop other qualifications.

Strategic Goal 2

Assessment Futures projects and Progress of Delivery Futures projects had been moved from Strategic Goal 6 into Goal 2; to provide leadership and expertise in the area of assessment. Progress was on track.

The tracking mechanism for SQA's Code of Practice (how SQA monitors its self-regulatory activities) was still to be developed.

Strategic Goal 3

There was a variety of different measures underpinning the work to measure the value of international activity, and this was included in a wider exercise being undertaken on the economic impact of SQA's work. The results of the exercise would be reported on at a future meeting.

Strategic Goal 4

The overall RAG status was reported at amber as a result of the KPM on absence levels. Absence levels had increased slightly (mainly cold and flu related illness) and management was closely monitoring staff welfare. It was highlighted that there was lots of work taking place in Health and Staff Wellbeing. The Committee suggested, to assist with monitoring the KPM it could be useful to include trends on variations within a year and variations on previous years.

The Committee were reminded that the staff survey was carried out every two years and actions plans were then developed to address topics raised in the responses at

both corporate and local level. The Committee suggested that a metric could be added to future reports to measure performance against the action plans.

All other aspects of Strategic Goal 4 were graded green.

Strategic Goal 6

The Change Programme KPM was reported at amber as a result of continuing with project prioritisation and would remain at amber until this was completed.

Part of SQA's statutory duty was to provide national statistics and a KPM would be developed to allow performance in this area to be measured.

All other aspects of Strategic Goal 6 were graded green.

It was highlighted that management were aware of the slight overlap with the new Strategic Goal and the KPMs would be reviewed.

Strategic Goal 7

Redacted - section 38(1)(b)

The overall RAG status remained at amber. This was due to the continued challenge of working with Scottish Government to develop a financial model that would ensure SQA's financial sustainability. Discussions continued with the Scottish Government on the financial position and the additional grant requirements for 2017/18.

██████████ Audit Scotland, advised that SQA was not unique in its funding arrangements and the situation was common in a number of central government bodies.

All other aspects of Strategic Goal 7 were graded green.

Strategic Goal 8

The Accreditation function would continue to ensure that SQA delivered the requirements set out by statute. There continued to be a gap in the funding for SQA Accreditation, however the Scottish Government was aware of the budget pressure and the need to deliver the statutory service.

It was highlighted that a different metrics would be presented in future reports.

Corporate Risk Register (CRR)

As part of the ongoing review of the CRR, the Executive Management Team (EMT) proposed the closure of two risks:

- 16CRR33 - A settlement, which was jointly negotiated with Scottish Government colleagues had been agreed with an IT supplier and the Committee approved the closure of the risk. It was noted that the agreement included an undertaking by the supplier to offer an amnesty to 72 Scottish Public Bodies potentially at risk of a similar licence capacity claim.
- 16CRR34 - The risk related to potential industrial action by teachers that could have impacted on a range of SQA activities. All quality assurance activities with colleges had been completed and the Committee approved the closure of the risk.

During discussion the Committee suggested that as risk 14CRR23 was related to pressure on staff that it be widened from the Qualifications directorate to include all staff across the organisation.

81/5 SQA INTERNAL AUDIT WORK REPORT

Mr Dickson, Head of Finance, presented the report that detailed the progress of SQA's Internal Audit in the last quarter, and outlined the work scheduled to take place in the next quarter.

The audit plan for 2018-19 was in development. Once the new contract was in place and the internal auditors appointed the plan would be finalised and presented to the Committee.

The delay in implementing CBS Phase 1 had affected the forthcoming Financial Systems and Health Check audit. EMT proposed instead to carry out an audit to check the reconciliation of information and balances migrated from the previous financial system to the new Aggresso system. The remainder of the audit work would then be carried out in early 2018. The Committee approved the proposal.

Outstanding actions metric

There was discussion on the metric that analysed the time lapsed on Management Actions (MAs) and missed or revised target dates. This was reported on a 12-month rolling basis and was likely to stay at red (over 10%) in the short term as a result of overly optimistic target dates in earlier audits.

The Committee were reassured that as the year progressed the metric should improve as MAs were now discussed with audit sponsors and Scott-Moncrieff, with realistic target dates agreed. Regular meetings with MA actionees were also scheduled to ensure that target dates were not missed. The Committee were pleased to note that the metric had driven positive changes to the approach in setting MAs.

It was reported that some MAs were outstanding due to external factors out with SQA's control. The Committee agreed that if this was the case then a revised target date should be assigned, with the approval of the Committee.

Overall the Committee agreed that the main focus, was setting realistic target dates and engaging with MA actionees.

81/6 SQA INTERNAL AUDIT ACTIVITY

Redacted - section 38(1)(b)

i Internal and External Audit Tracking Reports

██████████ presented the internal and external audit tracking reports as at November 2017.

Internal Tracking Report

It was clarified that the RAG status of MAs would remain green until the target date had lapsed.

- 137.2 (2.1 Network Administrator Accounts)

SQA were committed to strengthening the management and control of privileged accounts and had achieved the baseline for the Scottish Governments 'A Cyber Resilience Strategy for Scotland: Public sector action plan 2017-2018'.

- 119.1 (1.1 Medium to long term workforce planning)

SQA was leading a Scottish Government group to develop a workforce planning model. The Committee acknowledged the difficulties in this area and suggested that the action be re-defined to reflect what SQA could actively complete and to reflect this in terms of policy management. This could then be managed offline by EMT, and would allow the MA to be closed off.

The Committee noted the contents of the report.

External Tracking Report

The Committee noted the corrective actions that had been taken to address two ISO Standards findings and noted that these would be removed from the report.

- ii **ISO 27001 Surveillance Report** **Redacted - section 38(1)(b)**

██████████ presented the findings of the recent surveillance visit that had been conducted on 26 October 2017 to verify the continued compliance to ISO 27001:2013.

During the visit, two of three open non-conformities (NCs) had been closed by the assessor. One NC remained opened as evidence of implementation was not available during the visit. No new NCs had been identified.

At the conclusion of the visit, the assessor had recommended continued certification to the standard.

The Committee noted the contents of the report.

- iii **ISO 9001 27001 Surveillance Report** **Redacted - section 38(1)(b)**

██████████ presented the findings of the recent surveillance visit that had been conducted on 2 October 2017, to verify the continued compliance to ISO 9001:2008.

During the visit, the assessor reviewed the one open NC from a previous visit. Although progress had been made, it would remain open until the corrective actions had been fully implemented. No new NCs had been identified.

At the conclusion of the visit, the assessor had recommended continued certification to the standard.

The Committee noted the contents of the report.

81/7 SCOTT-MONCRIEFF INTERNAL AUDIT ACTIVITY

i **Follow Up Report** Redacted - section 38(1)(b)

██████████ presented the Internal Audit Quarterly Follow Up for the period August to October 2017, which reported on the status of actions that had been assessed as closed by SQA and Scott-Moncrieff's validation of those.

There had been a decrease in the number of overdue actions and sufficient evidence had been received to validate and close 13 actions. It was noted that open actions had decreased from 18 to seven, and outstanding actions from four to one; none of which were high risk actions.

The Committee noted the contents of the report.

ii **Internal Audit Progress Report** Redacted - section 38(1)(b)

██████████ presented a summary of internal audit activity as at November 2017 and was pleased to report that four reviews had been completed in the last quarter.

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

iii **Process Improvement Report – Appointee Payments and Expenses** Redacted - section 38(1)(b)

██████████ presented the report that reviewed appointee payment and expenses processes within SQA.

The report provided assurance that procedures supporting SQA's arrangements surrounding appointee payment and expenses reflect good practice in a number of areas. Some areas for improvement were identified and if addressed they could strengthen the control framework in place.

A detailed explanation of the processes and forms used for fee and expenses claims by appointees was provided and the Committee was reassured that a review around completion of claim forms would be undertaken and that EMT would discuss this action further with Scott-Moncrieff.

The Committee noted the contents of the report. Redacted - section 38(1)(b)

iv **Process Improvement Report – Security of Qualification Materials**

██████████ presented the report that reviewed the processes and controls in place over the security of the physical National Qualification (NQ) question papers, including exam centres and the role of Chief Invigilators.

She was pleased to report that only one minor area for improvement had been identified during the audit and that SQA had effective processes and controls in place for the physical security of the National Qualification question papers, including exam centres and the management and distribution of question papers by Chief Invigilators.

The Committee noted the contents of the report.

v **Process Improvement Report – Governance of Major Projects and Programmes**

Redacted - section 38(1)(b)

██████████ presented the report that reviewed the governance arrangements in place to manage, monitor and oversee major projects and programmes within SQA.

Overall a positive report, it was highlighted that SQA had robust controls in place over key elements of major projects and programme governance. Some areas for improvement were identified and if addressed they could strengthen the control framework in place.

This audit had been undertaken when Mr Downie had recently started with SQA, and he was encouraged by the findings that highlighted that the fundamentals in place were robust.

The Committee noted the contents of the report.

Redacted - section 38(1)(b)

vi **Process Improvement Report – IT Systems Review (SQA Connect)**

SQA had changed the underlying technology for the SQA Connect portal. To confirm the external and internal security of the application, SQA contracted a third party security testing company, NCC, to conduct a security assessment. Rather than repeat the testing Scott-Moncrieff sought to gain assurance that the findings and recommendations were being progressed in an appropriate manner. ██████████ presented the report to the Committee and advised that robust controls were in place for the change control of the SQA Connect application.

Overall, a positive report and several areas of good practice were identified. Two areas for improvement were identified that could strengthen the control framework in place.

The controls in relation to privileged accounts were discussed and the Committee was reassured that when the service was transitioned into the live environment the appropriate processes and procedures would be in place. As mention previously (A81/6 i Internal and External Tracking Reports), controls would be aligned to the Scottish Governments 'A Cyber Resilience Strategy for Scotland: Public sector action plan 2017-2018'.

The Committee noted the contents of the report.

Redacted - section 38(1)(b)

vii **Process Improvement Report – ISO27001 – IT Controls Testing**

██████████ presented the findings of the review that assessed the extent of compliance with the specific IT control measures set out in the ISO27001 standard based on the 2013 edition of the standard.

A number of areas where work was required to ensure continued compliance with the standard were identified. Assurance had been gained with the significant improvement to the management of privilege accounts for the network.

The Committee was reassured that significant improvements that had been made to IT security arrangements within SQA over the past few years. The Committee noted the contents of the report.

81/8 **AUDIT SCOTLAND NATIONAL REPORTS** Redacted - section 38(1)(b)

██████████ presented the update on SQA's activity and responses to Audit Scotland National Reports to October 2017. The process was briefly explained and it was clarified that EMT would decide if a response, on behalf of SQA was required.

The Committee noted the contents of the report.

81/9 **ANNUAL COMPLAINTS HANDLING REPORT** Redacted - section 38(1)(b)

██ was welcomed to the meeting, and presented the third annual report that detailed the developments in relation to SQA handling complaints during the last twelve months.

A good working relationship had been established with the Scottish Public Service Ombudsman (SPSO) with regards to understanding each other's role, jurisdiction and responsibilities.

The Committee noted the report.

██████████ left the meeting.

81/10 **DRAFT CORPORATE PLAN 2018-21** Redacted - section 38(1)(b)

██████████ presented the draft Corporate Plan for 2018-21 and advised that the same version was presented to each SQA Committee for comment and feedback. To date, officers had received very useful feedback and this would be collated and then presented for approval to the SQA Board in December. It was highlighted that the collation process would be streamlined for the next Plan.

The Committee reviewed the draft plan and welcomed the addition of the new goal in relation to SQA's approach to its wider communications.

During discussion the Committee suggested:

- Section 2 – The reference to the partners with which SQA worked should be reviewed to capture community learning and to include individuals that were considering career changes.
- Section 3 - The narrative to be reviewed to ensure that it remained current and would not become dated.
- Strategic Goal 4 - The phrasing of the goal should be amended to ensure that it read as a strategic approach, rather than an action.
- Section 4 - The narrative should be amended to make it clear that SQA was following key priorities.

The Committee supported submission of the draft Corporate Plan for 2017-20 to the SQA Board for approval in December.

It was highlighted that SQA was referred to as a Non Departmental Public Body (NDPB) within this document rather than as an Executive NDPB. It was noted that SQA had not been advised of the addition of *Executive* to the NDPB title and agreed this would be verified with the Scottish Government.

81/11 ANY OTHER BUSINESS

There was no further business raised.

81/12 DATE OF NEXT MEETING

Monday 5 March 2018.

PAPERS FOR NOTING

PFN 1 Meeting Dates for 2018

The Committee noted the meeting dates for 2018.

PFN 2 Regulatory Audit Update

In terms of governance, a report on Regulated Qualification Activity with respect to SQA Awarding Body should be seen by the Committee to provide an assurance that regulatory audit actions were being managed.

The Committee noted the update.

PFN 3 SQA Sustainability Report

SQA must submit a mandatory annual report to the Scottish Government detailing compliance with its climate change duties, and the Committee noted the report for 2016/17

PFN 4 National Fraud Initiative

The Committee noted that no issues had arisen from the 2016-17 data matching exercise.