

## AUDIT COMMITTEE – 30 JULY 2018

For approval

Minutes of the eighty-third meeting of the Audit Committee held on Monday 21 May 2018 at 12.45pm in Spey/Tay, the Optima Building, Glasgow.

Redacted - section 38(1)(b)

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

\* indicates present

## 83/1 WELCOME AND APOLOGIES

The Convenor welcomed members to the eighty-third meeting, including Mr David Middleton, SQA Chair. A welcome was also extended to [REDACTED] from [REDACTED] Scott-Moncrieff and from Audit Scotland [REDACTED]

Apologies were recorded for [REDACTED], Ms Janice Ross and [REDACTED] Scott-Moncrieff.

There were no conflicts of interest declared.

## 83/2 MINUTES OF THE PREVIOUS MEETING

## i Approval of minutes from previous meeting

82/9 External Audit Activity - Audit Scotland - Annual Audit Plan

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 eighty-second meeting of the Committee held on 5 March 2018 were approved as an accurate record of the meeting.

## ii Action Grid

82/5 & SQA Internal Audit Work Report & Internal Audit Activity - Scott-Moncrieff  
 82/7 ii Moncrieff - Internal Audit Progress Report

Ms Ellison advised the Committee that it had been agreed that a

further Financial Systems Data Migration Review would be undertaken to provide assurance to management following the completion of the CBS Milestone 6 software upgrade and the move to a cloud based hosting arrangement and this review had utilised the unallocated days in 2017-18 Internal Audit Plan. The outcomes of the review would be discussed later in the meeting (A83/8 iv refers).

82/8 ii Internal Audit Activity - SQA and Scott-Moncrieff - Internal audit plan 2018-19

SQA's assurance universe would be jointly developed by SQA and Scott-Moncrieff, ahead of discussions on the 2019-20 audit plan.

The Committee noted the content of the Action Grid.

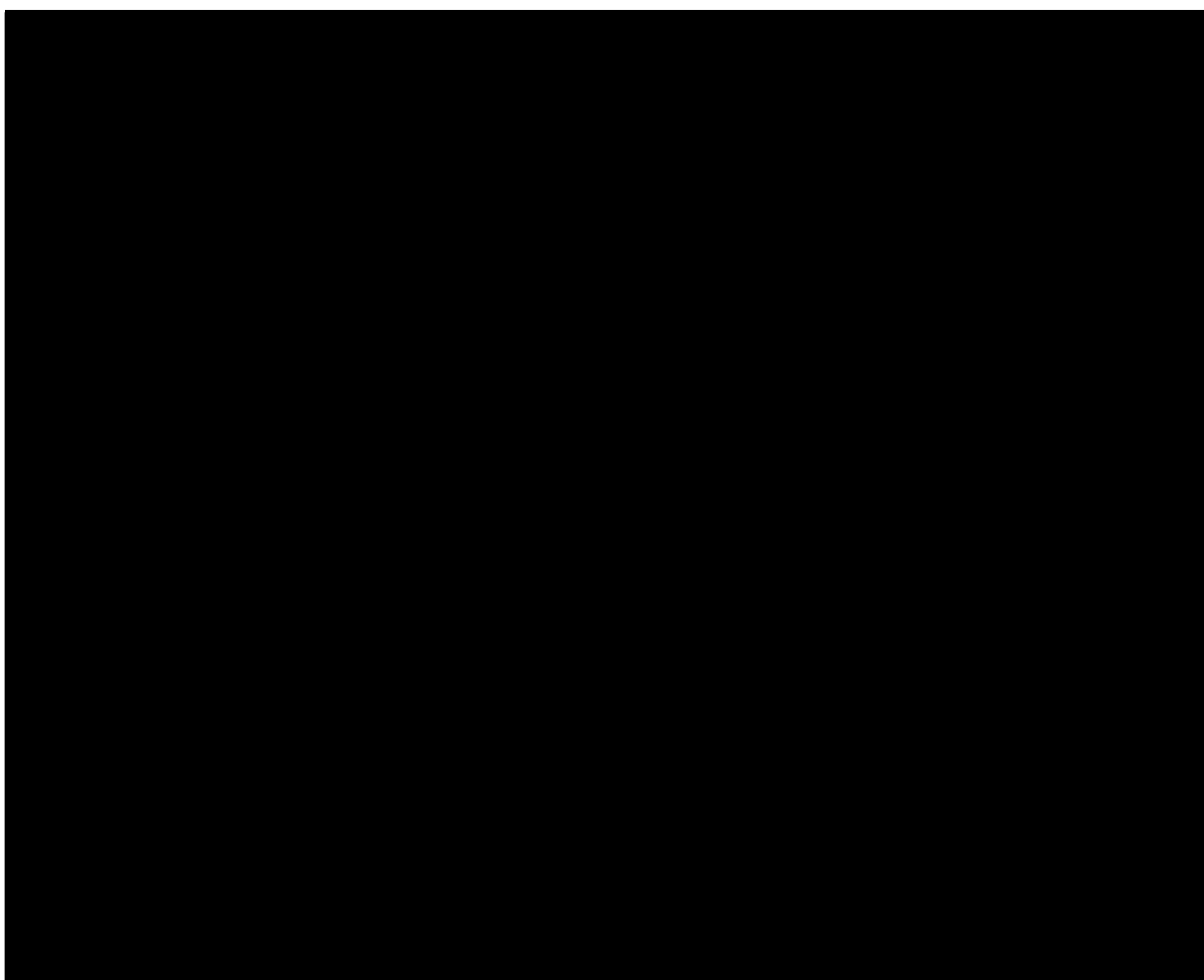
iii **Workplan**

The Committee noted the contents of workplan.

83/3 **MATTERS ARISING**

There were no matters arising.

Redacted - section 34(1)(a)(i)



## 83/5 QUARTERLY PERFORMANCE REVIEW

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

- Strategic Goal 1  
Achieved 100% of the milestones for both RNQ and maintenance of existing and new qualifications.

SQA would be developing new awards that aimed to improve young people's understanding of mental health and wellbeing.

- Strategic Goal 4  
Ms Cahill advised the Committee that trends on variations in year on absence levels would be included for the start of the 2018-19 reporting cycle.

### ***Corporate Risk Register***

- 15CRR31 - The risk was associated with SQA's trademark brands outside Scotland and Dr Brown explained that settlement and licence agreements were in place and trademark applications were now progressing.

The Committee endorsed the reduction of the probability rating for the risk, from four to two.

## 83/6 SQA INTERNAL AUDIT WORK REPORT

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

The Committee commended the achievement, that at year end, the KPI of agreed management actions remaining outstanding for more than three months over a rolling 12-month period had dropped from 9.7% in March to 7%.

The Committee noted the contents of the report.

## 83/7 INTERNAL AUDIT ACTIVITY - SQA Redacted - section 38(1)(b)

### **i Internal and External Audit Tracking Reports**

[REDACTED] presented both audit tracking reports as at May 2018.

#### ***Internal Tracking Report***

The Committee were pleased to note that only one action was graded at amber and was on track to be completed by the revised target date.

- 148.1 - ISO 27001 IT Controls Testing (9.2.3 Management of privileged access rights)

[REDACTED] was welcomed to the meeting to

provide an update to the Committee on the meeting that was held with the Scottish Government Security team on 25 April. Redacted - section 35(1)(a)



The Committee was reassured that SQA was taking appropriate steps to manage privilege accounts for the network. Redacted - section 38(1)(b)

On behalf of the Committee, the Convenor thanked [redacted] for the insightful update.

### ***External Tracking Report***

The Committee noted that a number of actions had been completed and were awaiting review by Audit Scotland. It was clarified that Audit Scotland would carry out the review as part of their Annual Audit, and this would be reported to the Committee in July 2018.

It was highlighted to the Committee that since the time of print, a corrective action had been taken to address one of the ISO Standards finding (A83/7 ii refers) and this would be removed from the report.

The Committee noted the contents of the report.

#### **ii ISO 9001 Surveillance Report – 15 March 2018**

Mr Borley presented details of the surveillance visit that had been conducted on 15 March 2018, to verify the continued compliance to ISO 9001:2008 and to determine if the current management system had the potential to meet audit criteria for compliance with the updated ISO 9001:2015 standard.

One non-conformity (NC) remained open, however, the assessor was satisfied with the progress being made to address it. No new NCs had been identified.

At the conclusion of the visit, the assessor had determined that there was reasonable expectation that transition would be possible at the next visit in May (A83/7 iii refers).

The Committee noted the contents of the report.

#### **iii ISO 9001 Surveillance Report – 9 May 2018**

Mr Borley went on to present the details of the surveillance visit that was conducted on 9 May 2018, and advised that during the visit, the assessor

closed the one open NC from a previous visit and three minor NC's had been identified.

He was pleased to report that at the conclusion of the visit the assessor had recommended certification to the updated ISO 9001:2015 standard.

The Committee noted the contents of the report and acknowledged the commitment and diligence from staff across the business to achieve certification to the updated standard.

iv **Audit Scotland National Reports** Redacted - section 38(1)(b)

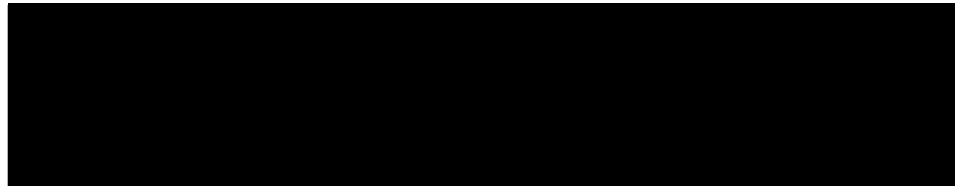
██████████ presented the update on SQA's activity and responses to Audit Scotland National Reports to April 2018 and the Committee noted the contents of the report.

v **SQA's Internal Audit Annual Report for year ending 31 March 2018**

Mr Dickson presented the Internal Audit Annual Report, which provided an annual assurance statement from the Finance Directorate on the internal audit activity for the year ending 31 March 2018.

The Committee discussed the report and the following was raised:

- Section 2 (2.3) Redacted - section 30(b)(ii)



Although, satisfied with the process in place, the Committee requested that if any major NCs were identified in future that the details were reported to the Committee.

- Section 3 (3.1)

The table only identified the total number of Management Actions and the Committee requested that the gradings also be included.

The Committee agreed that the report should be updated and presented to the next meeting.

## 83/8 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

Highlighted to the Committee was an error on page three of the report that had been carried over from the last meeting. It was advised that the number of actions should read 17.

██████████ presented the Internal Audit Quarterly Follow Up for the period February 2018 to May 2018, 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 sufficient evidence received to validate and close five actions. It was noted that open actions had decreased from 13 to twelve; eleven of which were not yet due. Outstanding actions had also decreased from two to one. None of the actions were high risk actions.

It was highlighted that SQA continued to make good progress, particularly with the promptness that agreed actions were completed.

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 May 2018 and highlighted to the Committee an error on page one of the report; he clarified that there had been three reviews completed in the latest period. He was pleased to report that all audit work had been completed against the 2017-18 internal audit plan.

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

iii **Internal Audit Report – Corporate Performance Management** Redacted - section 38(1)(b)

██████████ presented the report that reviewed the performance management systems and structures in place, and their effectiveness in demonstrating progress against the SQA's strategic and operational objectives.

Overall, a positive report and several areas of good practice were identified. Six minor improvement actions were identified and once implemented, would allow SQA to further strengthen the control framework.

Discussion took place around Control Objective 2 (2.1 Governance arrangements) and the Committee agreed that a second bullet should be added to the Management Action to ensure that there would be revisions to the appropriate standing orders and terms of reference of the SQA Board and sub-committees with regards to the scrutiny and monitoring of SQA's corporate performance and achievement of strategic goals.

The Committee noted the contents of the report.

iv **Internal Audit Report – Financial Systems: Data Migration Phase 2** Redacted - section 38(1)(b)

██████████ presented the report that reviewed the processes and controls in place for the migration of financial data from milestone 5 to milestone 6 of the Agresso ledger software, and the checks in place over the accuracy of opening balances.

She was pleased to report that no issues had been identified during the audit and that the controls for financial systems data migration were well designed and operating effectively.

The Committee noted the contents of the positive report.

Overall, the audit revealed that significant work had been undertaken to achieve GDPR compliance and that SQA were at an advanced stage in the delivery of their GDPR project plan. Redacted - section 36(1)

The Committee noted the contents of the positive report.

vi **SQA's Internal Audit Annual Report 2017-18** Redacted - section 38(1)(b)

The Committee noted the contents of the report, and the overall audit opinion, which was that SQA had a framework of controls in place that provided reasonable assurance regarding the achievement of its objectives and the management of key risks.

83/9 ANNUAL FRAUD REPORT – 2017-18 Redacted - section 34(1)(a)(i)

The Committee noted that a review of the policy would be undertaken and then presented to the SQA Board for formal endorsement. Scott-Moncrieff advised that they had been working with another NDPB to review their Anti-Fraud Policy and offered SQA the possibility to share lessons learned.

## 83/10 INFORMATION GOVERNANCE ANNUAL REPORT 2017-18

Mr Borley presented the report that provided the Committee with assurances that

Discussion took place around data sharing agreements with other partners across the education arena. It was clarified that across local authorities a framework agreement was in place that detailed the responsibilities, including data sharing, for all parties.

83/11 **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND – SQA 2017-18 INTERIM  
MANAGEMENT LETTER** Redacted - section 38(1)(b)

Overall, the key controls within SQA's main financial systems were operating satisfactorily. Two minor weaknesses had been identified and actions had been put in place to address these. There were no areas exposed to significant risk.

83/12 UNAUDITED ANNUAL REPORT AND FINANCIAL ACCOUNTS

Ms Cahill introduced the draft Annual Report to the Committee and advised that there was a consistent style to the narrative, and included case studies, which showcased how SQA's work impacts on people. Ms Ellison then provided an overview of the unaudited Annual Accounts.

The Committee welcomed the improvements to the draft Annual Report and during discussion suggested a number of minor changes to the report and unaudited accounts. The final version would be presented to the next meeting of the Committee for approval.

██████████ advised that last year's feedback from Audit Scotland had been misinterpreted and thus this year's Annual Report was more of a hybrid between annual review and statutory performance report. The Committee agreed that EMT and Audit Scotland should meet to discuss further.

Mr Borley led on a presentation that outlined SQA's approach to risk management and explained the simple matrix that maps the risk appetites and classifications.

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[REDACTED]

Following the above amendments to the matrix, the Committee agreed that this would be presented to the SQA Board.

#### **83/14 ANY OTHER BUSINESS**

The Convenor took the opportunity to advise that this would be the last meeting for both Mr O'Hare and Ms Wilkinson whose term in office on the SQA Board would conclude in June, after eight years. On behalf of the Committee, he thanked them for their unconditional commitment and contributions to the Committee.

#### **83/15 DATE OF NEXT MEETING**

Monday 30 July 2018, the Optima building, Glasgow.

#### **PRIVATE SESSION WITH THE AUDITORS**

Following the meeting, members of the Committee met separately with the External and then the Internal Auditors (in the absence of the Accountable Officer, members of the Executive Management Team and SQA officers). The members also discussed the effectiveness of the Committee and reviewed the way in which it discharged its functions.