

Minutes of the eighty-fourth meeting of the Audit Committee held on Monday 30 July 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 A Dickson, SQA
* Dr W Mayne	* Ms L Ellison	[REDACTED]
Mr R Stewart	* Dr G Stewart	Mr D Middleton, SQA Chair
		[REDACTED]
* indicates present		[REDACTED]

84/1 WELCOME AND APOLOGIES

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

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

Mr Roger Stewart had tendered last minute apologies, however, had provided the Convenor with feedback to be raised at the appropriate times during the meeting.

There were no conflicts of interest declared.

84/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the eighty-third meeting of the Committee held on 21 May 2018 were approved as an accurate record of the meeting.

ii Action Grid

82/8 ii SQA and Scott-Moncrieff – internal audit plan 2018-19

Ms Ellison advised that there had been a delay in developing SQA's assurance universe, however, it was anticipated that this would be presented to the next meeting.

The Committee noted the contents of the Action Grid.

83/8 v Scott-Moncrieff - Internal Audit Report - GDPR Health Check - Summary Report

The full GDPR report had been circulated to Committee members following the last meeting for comment and none had been received.

iii **Workplan**

The Committee agreed that Risk Appetite should be discussed annually and this should happen at the Spring meetings. The workplan would be adjusted to reflect this.

The Committee noted the contents of workplan.

84/3 **MATTERS ARISING**

Audit and Assurance Committee Handbook

In March 2018 a revised version of the handbook was published. The handbook emphasised the sources of assurance available to a Committee in addition to internal and external audit and encouraged organisations within the Scottish Government family to define their assurance needs, map their various sources of assurance and develop an integrated approach to assurance.

As previously discussed SQA's assurance universe was under development and was anticipated that would be presented to the next meeting (A84/2 ii refers). To support this, the Convenor requested that Scott-Moncrieff provide a short presentation to explain the role of the three lines of defence to the Committee; Scott-Moncrieff agreed to the request.

84/4 **CORPORATE RISK REGISTER**

Dr Brown presented the current status of SQA's Corporate Risk Register along with the covering text and the Committee noted the updates.

84/5 **SQA INTERNAL AUDIT WORK REPORT**

Mr Dickson presented the report that detailed the progress of 2018-19 Internal Audit Plan in the last quarter, and outlined the work scheduled to take place in the next quarter.

As a result of the Committee request that in the future any identified major non-conformities be reported on, a new section had been added to the Internal Tracker part of the report (SQA In-house ISO 9001 audits). The Committee acknowledged the addition.

Redacted - section 38(1)(b)

There had been slippage in the scoping and scheduling for some of the 2018-19 audit plan as a result of the loss of the Scott-Moncrieff contract manager. [REDACTED] reassured the Committee that recruitment had been successful and the full year's plans would be completed promptly.

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

EMT had proposed the addition of two audits to 2018-19 Internal Audit Plan - [REDACTED] audit for the Qualifications Development Management Information Systems

(QDMIS) work [REDACTED] and a question paper investigation review.

The Committee noted the contents of the report and endorsed the two additions to the 2018-19 Internal Audit Plan.

84/6 INTERNAL AUDIT ACTIVITY - SQA

i Internal and External Audit Tracking Reports Redacted - section 38(1)(b)

[REDACTED] presented the internal and external audit tracking reports as at July 2018.

Internal Tracking Report

The Committee were reminded that the RAG status of management actions would remain green until the target date had lapsed.

- 144.1 (1.1 Claim forms)

The review of existing claim forms had been progressing and those which could be eliminated or consolidated had been identified. Some operational changes had taken place and actions had been agreed to take the review forward.

Ms Ellison reassured the Committee that additional checks had been implemented until the conclusion of the review.

The Committee noted the contents of the report.

External Tracking Report

The Committee noted that for consistency, the format of the report has been aligned to match that of the internal tracking report.

The Committee was pleased to note that a number of actions had been reviewed and closed by Audit Scotland and would be removed from the report.

- Audit Scotland 2016-17 Annual Audit Report (Best Value/Benefits Realisation)

Discussions continued with the SQA Chair, on where performance reporting was best placed to sit in the Committee structure. Once established, it was noted that the Benefits Realisation Group would provide a regular report to that Committee.

The Committee noted the contents of the report.

ii ISO 27001 Surveillance Report – 3-4 May 2018

Mr Borley presented details of the surveillance visit that had been conducted in May 2018, to verify the continued compliance of the management system to defined requirements in the ISO 27001 standard.

One non-conformity (NC) remained open, as sufficient evidence of implementation was not available during the visit. The Committee were reassured that work was underway to address the action and the corrective action period had been extended. No new NCs had been identified.

At the conclusion of the visit, the assessor had determined that the requirements of ISO 27001:2013 were met and continued certification was recommended.

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

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

██████████ 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. She highlighted the amendments to the report since the last meeting.

The Committee discussed and approved the updated report.

84/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

██████████ presented the Internal Audit Quarterly Follow Up for the period April 2018 to June 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 fourteen actions. It was noted that open actions had increased from twelve to sixteen; this was primarily due to the large number of actions added to the tracker after the last meeting. Outstanding actions had also increased from one to eight. 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.

Regarding the age profile of outstanding actions Scott-Moncrieff reported that across their client base, SQA was the cleanest.

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 July 2018 and advised there had been two reviews completed in the latest period, including the finalisation of the full GDPR Compliance report.

As previously reported (A84/5) there had been some slippage to the 2018-19 audit plan as a result of the loss of the Scott-Moncrieff contract manager.

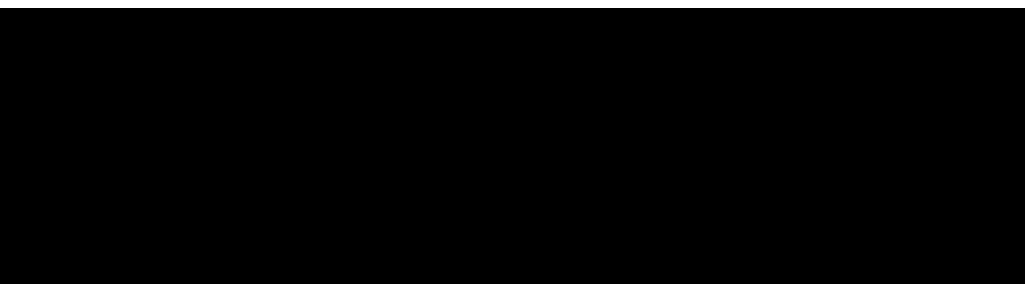
██████████ reassured the Committee that there would be no delays with the schedule of work.

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 – Procurement & Tendering** Redacted - section 38(1)(b)

██████████ presented the report that reviewed SQA's procurement policies, procedures and controls to ensure compliance with the requirements introduced under the Procurement Reform (Scotland) Act 2014, and the Public Contracts (Scotland) Regulations 2015.

Overall, generally robust and effective controls were found to be in place with several areas of good practice identified. Five minor improvement actions were identified and, once implemented, would allow SQA to further strengthen the control framework. Redacted - section 25(1)



As a result of the findings of the report, Ms Ellison advised that the process and procedures had been improved.

The Committee noted the contents of the report.

Cross-referencing of Scott-Moncrieff reports to SQA's Corporate Risk Register (CRR)

Discussion took place around the cross-referencing of the Scott-Moncrieff reports to SQA's CRR as a result of a referenced risk that was no longer on the SQA's CRR.

Dr Brown advised that the risk in question had the rating reduced at an earlier meeting of the Committee and had been approved to be monitored locally through a Directorate level risk register. Redacted - section 38(1)(b)

██████████ explained that the cross-referencing to SQA's CRR would take place at the point of scoping the audit. She acknowledged that this was a timing issue and going forward would ensure that all cross-referenced risks were against the most current version of SQA's CRR. Redacted - section 38(1)(b)

84/8 **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT REPORT**

██████████ introduced the report that summarised Audit Scotland's work in relation to the financial statements for the year ended March 2018. On finalisation, the report would be submitted to the SQA Board and the Auditor General for Scotland.

██████████ presented the report in detail and drew particular attention to the positivity of the key messages at the introduction of the report, and then the various action points within the action plan at appendix one.

Subject to the receipt of an approved Annual Report and Accounts from the

Committee, Audit Scotland anticipated issuing an unqualified and unmodified independent auditor's report following approval of the Annual Report and Accounts by the SQA Board in August.

In concluding his report [REDACTED] recorded his thanks to SQA officers for their cooperation and support in reaching completion of the final report.

As Convenor of the Committee, Mr McKay recorded his assurances on the audit rigour and standards that had taken place, and commended the report for submission to the SQA Board.

84/9 **SQA AUDIT COMMITTEE ANNUAL REPORT 2017-18**

Mr McKay, Convenor of the Committee, presented the Annual Report that summarised the main activities of the Committee for 2017-18. The report provided an assurance to the SQA Board that SQA's governance, risk management and control environment were satisfactory in 2017-18, and would support the SQA Board in its approval of the Annual Report and Accounts.

During discussion of the report, the Committee suggested a number of minor amendments and agreed that the Convenor, on behalf of the Committee, would approve these offline.

As Accountable Officer, the Chief Executive confirmed to the Committee that she was comfortable with the content of the report.

The Committee endorsed the positive assurances and conclusions of the report, approving it for remit to the SQA Board in August.

84/10 **PUBLIC SERVICES REFORM ACT 2010 – 2017-18 REPORT**

Ms Ellison reminded the Committee that the Public Services Reform (Scotland) Act 2010 part 3 required public bodies, including the SQA, to publish certain information as soon as practical following the end of each financial year.

The Committee reviewed the report and suggested that to ensure clarity, it would be helpful to remove and expand the BAU acronym on page three of the report.

Subject to the above amend, the Committee noted the information to be published under the Public Services (Scotland) Reform Act 2010 for the 2017-18 financial year.

84/11 **ANNUAL REPORT AND ACCOUNTS 2017-18** Redacted - section 38(1)(b)

The Committee were reminded that at the last meeting when the unaudited Annual Report and Accounts 2017-18 were discussed, [REDACTED] had advised that the Annual Report had been more of a hybrid between an annual review and a statutory performance report. The report had been amended to meet the requirements of a statutory performance report and [REDACTED], Audit Scotland, confirmed that the requirements had been met. The Committee noted that the narrative that had not been included in the statutory performance report would form part of an annual review of SQA.

Ms Ellison provided a full and comprehensive overview of the Annual Accounts. She

specifically, drew attention to the favourable movement in the Statement of Financial Position, and the move in the pension provision to a positive equity position. Given the volatility and size of the adjustments associated with the annual pension valuation, and in agreement with Audit Scotland, the Going Concern statement included in the previous year's (2016-17) annual accounts would remain in the Notes section this year and going forward. This was acknowledged by the Committee.

In discussion, a paragraph within the Safeguards against losses section was highlighted as potentially leading to confusion. The Committee agreed that this would be reviewed and the amended narrative would be approved offline by the Committee.

Subject to the amended paragraph, the Committee approved the Annual Report and Accounts for remit to the SQA Board prior to submission to Ministers and the Scottish Parliament.

84/12 **ANY OTHER BUSINESS**

There was no further business raised.

84/13 **DATE OF NEXT MEETING**

The Convenor reminded the Committee that the date of the next meeting had been brought forward to accommodate an internal diary clash and suggested a start time of 11am; the Committee agreed.

The date of the next meeting would be Monday 5 November 2018, Lowden.