

Minutes of the eighty-fifth meeting of the Audit Committee held on Monday 5 November 2018 at 11 am in Arrol, Lowden.

Redacted - section 38(1)(b)

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Dr J Brown	Mr S Borley, SQA
Ms E Craig	* Ms M Cahill	██████████ Scott-Moncrieff
* Ms A Davis	* Ms L Ellison	Mr A Dickson, SQA
* Dr W Mayne	Dr G Stewart	██████████ SQA
Dr K Thomson		Mrs K Ferguson, SQA
* Mr R Stewart		██████████, Audit Scotland
		Mr D Middleton, SQA Chair
		██████████ Scott-Moncrieff
* indicates present		

#### 85/1 WELCOME AND APOLOGIES

Redacted - section 38(1)(b)

The Convenor welcomed members to the eighty-fifth meeting, including Mr David Middleton, SQA Chair. He took the opportunity to advise that Ms Anna Davis and Dr Ken Thomson who had joined the SQA Board in July 2018, had been appointed to this Committee. Ms Davis was welcomed to her first meeting.

A welcome was also extended to ██████████ Audit Scotland and from Scott-Moncrieff, ██████████ and ██████████ who had replaced ██████████ and would lead the dedicated SQA internal audit team.

Apologies were recorded for Dr Ken Thomson, Dr Gill Stewart and ██████████ from Audit Scotland. Ms Craig had also tendered last minute apologies.

There were no conflicts of interest declared.

#### 85/2 MINUTES OF THE PREVIOUS MEETING

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

A minor typographical error was highlighted with regards to the numbering of the meeting. Subject to the amendment, the minutes of the eighty-fourth meeting of the Committee held on 30 July 2018 were approved as an accurate record of the meeting.

##### ii Action Grid

- *82/8 ii and 84/2 ii Internal Audit Activity - SQA and Scott-Moncrieff - internal audit plan 2018-19*

Mr Dickson advised that the loss of Scott-Moncrieff's contract manager had resulted in a delay in SQA jointly developing SQA's assurance universe with Scott-Moncrieff. Revised timescales had been agreed and the exercise was on track for presentation at the next meeting.

The Committee noted the contents of the Action Grid.

iii **Workplan**

The Committee noted the contents of the workplan, including the annual private session with both the internal and external Auditors which would take place following the next meeting.

85/3 **MATTERS ARISING**

There were no matters arising.

85/4 **CORPORATE RISK REGISTER**

Ms Cahill led on presenting the current status of SQA's Corporate Risk Register and the following risks were covered in the course of discussion:

- *17CRR36 – The risk was associated with appointees querying status, payments, terms and conditions.*

No further external developments had taken place, therefore, the Executive Management Team (EMT) proposed to reduce the risk rating by lowering the probability 'P' from 4 to 3; resulting in a new score of nine that would change the RAG rating from red to amber.

The Committee endorsed the proposed change to the risk.

- *14CRR22 – The risk was associated with SQA's financials.*

It was highlighted that there had been an error in the formula that calculated the Net Score, and the correct scoring should read -  $3,5=15$ . It was confirmed that the red RAG rating was correct for the current position.

At the last SQA Board meeting discussion on increasing the probability for the risk had taken place. Dr Brown advised that there was a meeting scheduled with Scottish Government to discuss SQA's funding position, and following the outcome of the meeting, EMT would discuss the risks scoring.

The Committee endorsed the approach.

- *14CRR23 – The risk was associated with people resources due to pressure of multiple high priority workstreams and ongoing external demands.*

The SQA Board had requested clarity around the mitigating actions and the Committee noted that additional narrative would be added.

- *15CRR29 – The risk was associated with skills and capabilities, including salary levels.*

Following discussion, the Committee acknowledged that although the lack of the necessary skills and capabilities was an organisational wide issue, it was more acute within the Business Systems Directorate.

The Committee requested that narrative within the cause, consequence and mitigating actions be amended to reflect that position.

- *15CRR32 – The risk was associated with insufficient numbers of appointees.*

The Committee noted that a number of factors had evoked contingency plans. EMT proposed to increase the probability 'P' from 2 to 4; resulting in a new score of 20 that would change the RAG rating from amber to red.

The Committee endorsed the proposed change to the risk.

- *14CRR20 – The risk was associated with an internal or external major incident that would affect SQA's ability to operate and deliver.*

The Committee requested that the narrative of the cause and the gross score be reviewed

## 85/5 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.

He went on to explain that progress was reported at amber due to the delay in presenting the assurance map to the Committee and some missed management actions within the Business Systems Directorate.

Redacted - section 38(1)(b)

As previously advised (A85/2 ii), the delay in presenting the assurance map was a result of the loss of the Scott-Moncrieff contract manager. ██████████ assured the Committee that this would be presented at the next meeting

The Committee noted the contents of the report.

## 85/6 INTERNAL AUDIT ACTIVITY - SQA

Redacted - section 38(1)(b)

### i Internal and External Audit Tracking Reports

██████████ presented the internal and external audit tracking reports as at November 2018.

#### *Internal Tracking Report*

- *Approach to monitor SQA Connect application (Ref 147.4) & Managing privileged access rights (Ref 148.1)*

The Committee were advised that whilst the target dates for completion were December 2018, SQA was reliant on the Scottish Government's security centre hub to complete the actions. Scottish Government were aware of this and SQA would continue to collaborate with them.

In the meantime, SQA would continue to use single-factor authentication. The Committee were reassured that procedures were in place and reports would be generated and investigated on any issues that were identified.



The Committee commended the hard work from colleagues across SQA to achieve continued certification, and noted the contents of the report.

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

██████████ presented the update on SQA's activity and responses to Audit Scotland National Reports published between May and September 2018.

Given the large number of Audit Scotland National Reports that were produced, the Committee suggested that SQA could liaise with Audit Scotland and focus on specific areas. The Committee were reassured that mechanisms were in place to track and monitor all Audit Scotland National Reports.

Scott-Moncrieff confirmed that it was good practice for SQA to review the Audit Scotland National Reports.

The Convenor reaffirmed that the bi-annual report presented to the Committee was to provide assurance that the appropriate Audit Scotland National Reports were targeted for review by SQA.

The Committee suggested that some of the reports could be worthwhile for discussion at the newly formed Performance Committee.

The Committee noted the contents of the report.

85/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

██████████ presented the Internal Audit Quarterly Follow Up for the period July 2018 to October 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 seven actions. It was noted that open actions had decreased from sixteen to fourteen. Outstanding actions had remained at eight. None of the actions were high risk actions.

It was highlighted that the grade definitions had been omitted from the report and would be included in future reports.

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 2018 and advised that in the latest period support had been provided to SQA with the creation of an assurance map, a management investigation was in progress and four reviews were completed.

Within the appendix, it was clarified that the reference included for the Follow-up reports was a cross-reference to the 2018-19 audit plan. Scott-Moncrieff agreed that, as the other reports were not cross-referenced, a consistent approach would be followed for future reports.

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 – Accreditation and Regulation** Redacted - section 38(1)(b)

██████████ presented the report that reviewed the processes in place within SQA Accreditation for carrying out their regulatory duties including overseeing how awarding bodies demonstrate compliance with the Regulatory Principles and Directives and how this was validated by SQA Accreditation.

Overall, a positive report, with robust and effective controls found to be in place with several areas of good practice identified. Three minor improvement actions were identified and, once implemented, would allow SQA to further strengthen the control framework.

It was highlighted that the report would be shared with the Accreditation Committee.

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

iv **Internal Audit Report – Key Financial Systems: Income and Receivables**

██████████ presented the report that reviewed the controls in place over SQA's income and accounts receivable function.

He was pleased to report that no issues or areas for improvement had been identified during the audit and that SQA's income and receivables procedures were well designed and operating effectively.

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

v **Internal Audit Report – Key Financial Systems: Purchase to Pay**

██████████ presented the report that reviewed the controls in place for operating P2P (electronic purchasing) within SQA's new financial system, Agresso.

Overall, a very positive report with several areas of good practice identified. The processes in place surrounding the P2P work flows were well designed and operating effectively. One minor improvement action was identified and, once implemented, would allow SQA to further strengthen the control framework.

The Committee welcomed the assurances provided from the review, particularly given the implementation of Agresso. Redacted - section 38(1)(b)

vi **Internal Audit Report – Assurance Universe, three lines of defence**

██████████ provided a detailed presentation to the Committee that explained the three lines of defence model and provided an update on the progress and planned work to establish SQA's assurance map.

The Committee thanked ██████████ for the comprehensive presentation and looked forward to reviewing SQA's assurance map.

## 85/8 **PROCUREMENT ANNUAL REPORT**

SQA is required under the Procurement Reform (Scotland) Act 2014 Part 2 section 18, to publish a procurement annual report. The Committee noted that this was the first time that SQA had produced the report because there had been a delay in bringing in all the requirements relating to NDPB's until 2018.

Ms Cahill presented the 2017-18 Procurement Annual Report.

During discussion, the Committee suggested a number of minor amendments to strengthen the report:

- *Section 1. Foreword*

Include additional narrative to explain what the collaborative savings equated to and explain how the savings were achieved.

- *Section 4. Achieving best value for money*

Amend narrative to clarify that the savings for the period were inclusive of SQA's contributed savings and Procurement Scotland's reported savings.

- *Section 6. Transparency (Compliance)*

Include narrative to explain the 4% of contracts awarded that did not follow SQA's policy and procedures.

- *Section 6. Transparency (Fraud)*

Amend narrative to clearly state that the period the report covered was from April 2017 – March 2018.

- *Section 7. Conclusion*

Amend narrative to explain that the M1 status that SQA achieved was the top level achievable.

The Committee endorsed the publication of SQA's Procurement Annual Report.

## 85/9 **ANY OTHER BUSINESS**

In drawing the meeting to a close, it was highlighted that this had been the last meeting for Mr Stewart who had joined to the newly established Performance Committee.

On behalf of the Committee, the Convenor, thanked Mr Stewart for his valuable contributions to the Committee.

## 85/10 **DATE OF NEXT MEETING**

The date of the next meeting would be Monday 18 March 2019 in Lowden.

## **PAPERS FOR NOTING**

### **PFN 1 Meeting Dates for 2019**

The Committee noted the meeting dates for 2019.

### **PFN 2 National Fraud Initiative – 2018-19 Exercise**

The Committee noted SQA's progress on the in relation to the current National Fraud Initiative exercise.