

SCOTTISH QUALIFICATIONS AUTHORITY

A87/2 i

AUDIT COMMITTEE – 3 JUNE 2019

For approval

Minutes of the eighty-sixth meeting of the Audit Committee held on Monday 18 March 2019 at 11 am in Inglis/Livingstone, Lowden.

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Dr J Brown	Mr S Borley, SQA
Ms E Craig	* Ms M Cahill	[REDACTED] Scott-Moncrieff
* Ms A Davis	* Ms L Ellison	Mr A Dickson, SQA
* Dr W Mayne	Dr G Stewart	Mr L Downie, SQA (A86/6 onwards)
* Dr K Thomson		[REDACTED] SQA (A86/4 onwards)
		[REDACTED] SQA
		[REDACTED] Audit Scotland
		[REDACTED] Scott-Moncrieff
		Mr D Middleton, SQA Chair
		[REDACTED] Scott-Moncrieff
		[REDACTED] Audit Scotland
		[REDACTED], Scott-Moncrieff

* indicates present

86/1 WELCOME AND APOLOGIES

The Convenor welcomed members to the eighty-sixth meeting, including Mr David Middleton, SQA Chair and Dr Ken Thomson to his first meeting of the Committee. A welcome was also extended to colleagues from Audit Scotland and Scott-Moncrieff.

Apologies were recorded for Ms Craig and Dr Stewart.

There were no conflicts of interest declared.

86/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

85/7 Internal Audit Activity - Scott-Moncrieff - Internal Audit Report – Key Financial Systems: Purchase to Pay

Discussion took place around the difference between reassurance and assurance. The Committee agreed that as evidence had been provided in the report the minutes would be adjusted to reflect this:

The Committee welcomed the ~~reassurances~~ [delete] *assurance* [insert] provided from the review, particularly given the implementation of Agresso.

Subject to the above amendment, the minutes of the eighty-fifth meeting of the Committee held on 5 November 2018 were approved as an accurate record of the meeting.

ii **Action Grid**

- *82/8 ii, 84/2 ii, 85/2 ii Internal Audit Activity - SQA and Scott-Moncrieff - internal audit plan 2018-19*

Mr Dickson advised that in February the SQA Board had reviewed the assurance areas that would be used to structure SQA's assurance universe.

To ensure that all of SQA's assurance activities, and associated reports, were included in the assurance universe, 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.

86/3 **MATTERS ARISING** Redacted - section 38(1)(b)

85/6 ii Internal Audit Activity – External Audit Tracking Report (Audit Scotland 2016-17 Annual Audit Report - increase transparency of SQA)

██████████ advised that following the request of the Committee, Audit Scotland had reviewed the evidence provided by SQA and the action had been closed.

86/4 **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:

- **14CRR23**

The risk was associated with people resources due to pressure of multiple high priority workstreams and ongoing external demands. It was noted that action plans were now in place following the meetings with Directors to explore requirements both within and across directorates.

- **15CRR31**

The Executive Management Team (EMT) proposed to deescalate the risk associated with trademark applications out with Scotland to be monitored at Directorate level.

The Committee endorsed the proposal.

- **17CRR37**

Noting that the risk was associated with a combination of both disaster recovery and technology platform the Committee agreed that narrative should be included to strengthen the mitigating actions.

- **19CRR37**

The Committee endorsed the addition of a new risk associated with industrial action by Unite union members.

- **19CRR38**

The Committee endorsed the addition of a new risk associated with industrial action by teachers and lecturers.

It was noted that since the time of print, industrial action by teachers had been called off.

There was ongoing industrial action in the college sector and SQA had adjusted and communicated a change of date for the uplift of NQ coursework materials to colleges. The Committee agreed that narrative on this should be included to strengthen the mitigating actions.

- **19CRR39**

The Committee endorsed the addition of a new risk associated with the costs and funding of business as usual following the conclusion of the revised national qualifications programme.

86/5 **SQA INTERNAL AUDIT WORK REPORT**

Mr Dickson presented the report that detailed progress on the 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 the KPI monitoring progress to implement agreed recommendations over the preceding twelve months was reported at amber due to the number of Management Action completion dates that had slipped beyond the original targeted dates. Some of the delayed implementations were influenced by external factors out with SQA's control.

The Committee noted the contents of the report.

Mr Lee Downie, Director of Business Systems and Transformational Change was welcomed to the meeting.

86/6 **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 March 2019.

Internal Tracking Report

- ***Claim forms (Ref 144.1)***

Ms Ellison advised that after reviewing the risk, it was clear that there had been too much focus on the timescales for a technical solution rather than the specific risk highlighted by the audit. She was pleased to report that

the risk had been addressed, however, due to timings, Scott-Moncrieff were unable to review the evidence in order to close the action, and this would be actioned for the next meeting.

The Committee agreed that it was essential that management not lose the focus of addressing risks.

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

The Committee were reminded that SQA was reliant on the Scottish Government's security centre hub to complete these two actions. Scottish Government had advised that the project had been put on hold and were unable to advise when or if the project would re-start. SQA were now investigating alternative options and the target completion dates for the actions had been amended. It was noted that interim arrangements have been put in place until a solution could be found.

The Committee acknowledged that the delay in competing these actions were out with SQA's control.

- *System acceptance testing (Ref 148.4)*

As part of the on-going restructure of the Business Systems directorate, it was agreed that the test function would be split across two teams, and the draft test catalogue would need to be modified and allocated across both teams.

Scott-Moncrieff welcomed that SQA were moving to a more agile approach for system acceptance testing.

- *Protection of test data (Ref 148.5)*

Mr Downie advised that as part of our commitment to protect test data SQA had decided to leverage the anonymisation functionality within the data virtualisation product. A Business Proposal was under development which would form the basis of a dedicated project to deliver a data anonymisation solution, however, this has now been postponed to avoid overlap with the data virtualisation project.

The Committee were reassured tactical initiatives had been undertaken to reduce risk exposure since the action was highlighted.

Reiterating the Committee's comments that it was essential that management not lose the focus of addressing risks, it was suggested that EMT revise the action.

The Committee noted the contents of the report.

Office of the Chief Information Officer (OCIO)

Mr Downie went on to advise that SQA had invited the OCIO to conduct an independent review of SQA's Enabling Functions Programme (part of SQA's Change Programme).

The Committee welcomed the review that would be the first formal assurance for the Programme.

External Tracking Report Redacted - section 38(1)(b)

The Committee noted that the three actions had been closed and would be removed from the report.

SQA had invited Audit Scotland to close the one amber action related to the Scottish Governments Best Value framework, however, due to timings, Audit Scotland were unable to review the evidence prior to the printing of the papers. [REDACTED] reported that as Benefit Realisation would be monitored by SQA's newly established Performance Committee the action would close and be removed from the report.

The Committee noted the contents of the report.

ii **ISO 27001 Surveillance Report – 25 October 2018**

Mr Borley presented details of the surveillance visit that had been conducted on 25 October 2018, to ensure that compliance with existing certification to the management system standard had been maintained.

One non-conformity (NC) from the previous visit was closed, and one new minor NC had been identified. At the conclusion of the visit, the assessor determined that the requirements of ISO 27001 were met and continued certification was recommended.

The Committee noted the contents of the report.

86/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

[REDACTED] presented the Internal Audit Quarterly Follow Up for the period November 2018 to February 2019, 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 ten actions. Open actions had decreased from fourteen to eight, and outstanding actions had decreased from eight to seven. None of the actions were high risk.

The Committee noted the contents of the report.

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

[REDACTED] presented a summary of internal audit activity as at March 2019 and advised that three reviews had been completed.

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 – Data Sharing** Redacted - section 38(1)(b)

██████████ presented the report that reviewed SQA’s data sharing arrangements and considered the implementation and operationalisation of those agreements across SQA. It was highlighted that the review followed the May 2018 GDPR review where it had been confirmed that data sharing agreements with stakeholders were in place.

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

Scott-Moncrieff reassured the Committee that that during the audit SQA staff were aware of the policies and guidance detailed in the report. Going forward, Scott-Moncrieff agreed that narrative to confirm awareness would be included in reports.

The Committee noted the contents of the positive report.

iv **Internal Audit Report – Disaster Recovery** Redacted - section 38(1)(b)

██████████ presented the report that reviewed the extent to which SQA had implemented effective IT Disaster Recovery arrangements and ensured appropriate testing of plans.

A number of areas for improvement in relation to IT Disaster Recovery planning within SQA had been identified, including lack of alignment between IT disaster recovery and business continuity plans.

The Committee noted that EMT had requested the review of this area and concurred how valuable an independent audit could be to move forward on known issues within organisations.

Following Scott-Moncrieff’s recommendation SQA had taken a new approach to IT disaster recovery planning and were working towards ensuring that plans and supporting procedures were created for all critical infrastructure and business applications.

Discussion led to the target implementation dates assigned to the management actions of the report, specifically the one that had been split into discrete actions that could potentially need to be sequentially actioned. The Committee agreed, more realistic target implementation dates should be agreed.

The Committee noted the contents of the report.

86/8 **INTERNAL AUDIT ACTIVITY – SQA & SCOTT-MONCRIEFF INTERNAL AUDIT PLAN 2019-20**

As in the previous year, SQA Finance and Scott-Moncrieff had jointly undertaken the planning process which was prepared in conjunction with EMT. Following a review of the original three-year plan, a revised audit plan was presented to the Committee that included:

- Increasing the proposed audits from seven to nine in the 2019-20 audit plan (adding Payroll, Review of ongoing maintenance and refreshment of National Qualifications and Strategic and Operational Planning); and
- Transferring the Quality Assurance audit (Review of Centre approvals for markets outside Scotland) into the 2020-21 audit plan.
- In the 2020-21 audit plan, add two new audits (Business Cases and a further Review of ongoing maintenance and refreshment of National Qualifications).

The Committee considered the audit areas for review across SQA, noting an even spread across all audit areas, with the exception of Business Systems and Transformation Change. In discussion, it was confirmed that there had been significant amount of activity in this area in recent years, including the Change Programme Review audit, which was currently underway and would be presented at the next meeting. The independent review of SQA's Enabling Functions Programme by the OCIO (Ref A86/6 i refers) would also provide assurance in this area.

██████████ reminded the Committee that changes could be accommodated to the audit plan throughout the year.

Redacted - section 38(1)(b)

The Committee was reminded that at the next meeting SQA's assurance universe would provide an overview of all the sources of assurance on the management of risk. The Committee agreed that following this, further audit areas could be identified and result in changes to the current audit plan.

The Committee approved the changes to the 2019-20 and 2020-21 audit plans, subject to the review of SQA's assurance universe at the next meeting and the outcomes from the independent review by OCIO.

Redacted - section 38(1)(b)

86/9 **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT REPORT**

██████████ presented in detail the Annual Audit Plan 2018-19 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, for the year ending 31 March 2019 and the intended approach to issues impacting SQA's activities in that year.

The Committee noted Audit Scotland's Annual Audit Plan 2018-19.

86/10 **ANY OTHER BUSINESS**

There was no further business raised.

86/11 **DATE OF NEXT MEETING**

The date of the next meeting would be Monday 3 June 2019 in Optima.

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). This was a routine annual event for the Committee.