

Minutes of the eighty-eighth meeting of the Audit Committee held on Monday 29 July 2019 at 11 am in Spey/Tay, the Optima building, Glasgow.

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

* indicates present

88/1 WELCOME AND APOLOGIES

Redacted - section 38(1)(b)

The Convenor welcomed members to the eighty-eighth meeting, including SQA's new Chief Executive, Ms Fiona Robertson, to her first meeting.

A welcome was also extended to Mr David Middleton, SQA Chair, Mr Lee Downie, Director of Business Systems and Transformational Change, [REDACTED] Senior Accounting Manager and colleagues from Audit Scotland and Scott-Moncrieff.

Apologies were recorded for Ms Davis, Dr Thomson, Ms Cahill, Dr Stewart and [REDACTED]

There were no conflicts of interest declared.

88/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the eighty-seventh meeting of the Committee held on 3 June 2019 were approved as an accurate record of the meeting.

ii Action Grid

- 82/8 ii, 84/2 ii, 85/2 ii, 86/2 ii - *Internal Audit Activity - SQA and Scott-Moncrieff - internal audit plan 2018-19*

Ms Ellison advised that due to the demanding period of the year for SQA (i.e. Main Diet) the Executive Management Team (EMT) had been unable to review and discuss the draft Assurance Map. In addition, it was agreed vital that the new Chief Executive should have the opportunity to provide feedback.

Timescales were revised 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.

88/3 **MATTERS ARISING**

There were no matters arising.

88/4 **CORPORATE RISK REGISTER**

In the absence of Ms Cahill, Ms Ellison led on presenting the current status of SQA's Corporate Risk Register (CRR) and the following risks were covered in the course of discussion:

- Risk 15CRR30 - The risk was associated with unplanned activities leading to unachievable pressure on people and budget.

Following a decision taken by the Deputy First Minister to maintain the current assessment approach to National 4, EMT proposed to de-escalate the risk to the RNQ Programme Board Risk Register.

The Committee endorsed the de-escalation.

- Risk 17CRR36 - The risk was associated with the Taylor review of modern working practices, and EMT proposed to de-escalate the risk to Corporate Services Risk Register.

The Committee endorsed the de-escalation.

- Risk 19CRR39 - The risk was associated with industrial action by teachers and lectures.

EMT proposed to close the risk as industrial action had been cancelled and the backlog of results data from colleges had been cleared.

The Committee endorsed the closure of the risk.

- Risk14CRR22 - The risk was associated with securing the required grant from Scottish Government.

The Committee reiterated the concern expressed at the last meeting around the mechanism for securing an appropriate financial budget from the Scottish Government.

Ms Ellison went on to advise that that budget allocation and monitoring (BAM) letter had yet to be received from the Scottish Government and discussions remained ongoing surrounding the reduction to the grant funding requirements. The Committee noted that the two potential options that had been proposed to reduce the grant funding requirement would not result in savings in the current

financial year as expenditure had been committed. The Scottish Government had been advised on the level of savings that could be achieved and had received assurance that SQA would continue to seek other opportunities to make additional savings throughout the financial year.

- 19CRR38 - The risk was associated with the dispute with Unite.

Ms Ellison was pleased to report that since the time of print, concerted efforts from both Unite representatives and senior management to identify and effect key resolutions had resulted in the dispute being called off in full.

Reiterating the discussion that took place at the last meeting on the number of risks that were over a year old, the Committee were reassured that the CRR contained the current risks within SQA that were sufficiently important to consider at a strategic level. Risks that had been on the CRR for a period of time did not indicate a failure of risk management but rather perennial risks.

The Committee requested that EMT discuss the probability and scoring of two major incident risks to ensure that they were still fit for purpose and if there was a need to split them into smaller, separate risks: 14CRR20 - Business Continuity and 17CRR37 - IT Disaster Recovery.

88/5 SQA INTERNAL AUDIT WORK REPORT

Mr Dickson presented the report that detailed progress on SQA's Internal Audit work in the last quarter, and outlined the work scheduled to take place in the next quarter. The KPI monitoring progress to implement agreed recommendations over the preceding twelve months remained at amber.

It was highlighted that as part of the recent agreement with the trade unions two new audits would be carried out in 2019-20: (1) A review of the policies and procedures for restructuring and redeployment and (2) A review of the implementation of the above policies and procedures in relation to the next restructuring exercise. Given the ongoing position surrounding the reduction to the grant funding requirements, and to remain within budget, EMT proposed changes to the Internal Audit Plans with the postponement of Stakeholder Engagement from 2019-20 into 2020-21, in order to incorporate the two new audits.

During discussions around the proposed changes to the Internal Audit Plans:

- The Committee suggested that in order to ensure clarity, it was confirmed with the trade unions that this agreement related only to policies that had an impact on staff.
- Scott-Moncrieff confirmed that they would give consideration to the role of the trade unions and JNCC, as important stakeholders of SQA, in collecting evidence during internal audits.
- The possibility of postponing a different audit. The Committee were reassured that EMT had fully discussed all the options before deciding on the one to postpone.

The Committee noted the contents of the report and endorsed the changes to the Internal Audit Plan for 2019-20 and 2020-21.

88/6 INTERNAL AUDIT ACTIVITY - SQA

Internal and External Audit Tracking Reports

Mr Dickson presented the internal and external audit tracking reports as at July 2019 and the Committee noted the contents of the reports.

88/7 INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF

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

██████████ presented the report for the period May to June 2019, which detailed 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 one action. Open actions had increased from five to twenty, and outstanding actions remained at five. 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)

██████████ was pleased to report that all audit work against the 2019-20 Internal Audit Plan was on track and the approved changes to the plans (A88/5 refers) would be incorporated.

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

88/8 COMMITTEE STANDING ORDERS

The Convenor presented the revised draft Standing Orders to the Committee that set out the formal constitution and arrangements for conducting the business.

After reviewing the Standing Orders in detail, the Committee recommended a number of minor amendments and agreed that the Convenor would formally approve these on behalf of the Committee offline.

During the discussion around the CRR it was agreed and clarified that the Committee's role, on behalf of the SQA Board, was to review any changes proposed by EMT, and the Standing Orders would be amended to reflect this.

Subject to minor amendment and final approval by the Convenor, the Committee agreed that the Standing Orders would be presented to the SQA Board for formal approval at its next meeting on 21 August 2019.

Redacted - section 38(1)(b)

88/9 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT REPORT

██████████ introduced the proposed report that summarised Audit Scotland's work in relation to the financial statements for the year ended March 2019. He highlighted that due to a recent Supreme Court judgement on a key pension case, the pension figures in the financial statements would have to be recalculated and on

finalisation, the report would be submitted to the SQA Board and the Auditor General for Scotland. It was highlighted that all public sector pensions were affected by the judgements.

He went on to present 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.

The Committee acknowledged that the pension liabilities issue was out with SQA's control and were reassured in relation to the pension deficit that narrative had been included in the notes to the Annual Report and Accounts, under the Going Concern statement.

Redacted - section 38(1)(b)

The Committee moved on to discuss the financial sustainability of SQA and the narrative included on SQA's position on the savings target set by the Scottish Government. The Committee agreed that as the report and the Annual Report and Accounts would be in the public domain it was imperative that SQA was not documented as agreeing to anything that it could not deliver. The Committee agreed that Ms Ellison and [REDACTED] would agree revised narrative offline.

Subject to the recalculation of the pension figures, the revised narrative on SQA's position on the savings target and receipt of an approved Annual Report and Accounts from the Committee, Audit Scotland anticipated issuing an unqualified independent auditor's report following approval of the Annual Report and Accounts by the SQA Board in August.

Redacted - section 38(1)(b)

In concluding the 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.

88/10 SQA AUDIT COMMITTEE ANNUAL REPORT

Mr McKay, Convenor of the Committee, presented the Annual Report that summarised the main activities of the Committee for 2018-19. The report provided an assurance to the SQA Board that SQA's governance, risk management and control environment were satisfactory in 2018-19, and would support the SQA Board in its approval of the Annual Report and Accounts.

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

88/11 PUBLIC SERVICES REFORM ACT 2010 – 2018-19 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 highlighted an error in a title on page one of Appendix 1. Subject to the correction, the Committee noted the information to be published under the Public Services (Scotland) Reform Act 2010 for the 2018-19 financial year.

88/12 **ANNUAL REPORT AND FINANCIAL ACCOUNTS 2018-19**

Mr Borley reminded the Committee that last year the draft report had been more of a hybrid between an annual review and a statutory performance report, which was then amended to meet the requirements of Audit Scotland (a statutory performance report). This year, a separate annual review had been developed alongside the statutory performance report.

Ms Ellison provided a full and comprehensive overview of the Annual Accounts. The Committee had also been provided with a detailed cover paper for the latter, which had highlighted the key points and explained any amounts beyond that covered in the notes to the accounts.

She reminded the Committee that as previously advised by Audit Scotland (A88/9 refers) the pension figures in the financial statements would have to be recalculated. It was also highlighted that the Accountable Officer and Chief Executive name would be changed from Dr Janet Brown before remit to the SQA Board.

In discussion, the Committee highlighted some minor amendments to the narrative and noted that these would be amended prior to remit to the SQA Board

Subject to the minor amendments and the recalculation of the pension figures in the financial statements, the Committee approved the Annual Report and Accounts for remit to the SQA Board in August prior to submission to Ministers and the Scottish Parliament.

88/13 **ANY OTHER BUSINESS**

In closing the meeting, the Convenor took the opportunity to acknowledge that this was Ms Ellison's last meeting of the Committee. He thanked her for her commitment to SQA and all of the work that she had undertaken to successfully implement Corporate Business System (CBS), Phases 1-3.

88/14 **DATE OF NEXT MEETING**

The date of the next meeting would be Monday 21 October 2019, in Lowden.