SCOTTISH QUALIFICATIONS AUTHORITY   **A90/2 i**

AUDIT COMMITTEE – 16 MARCH 2020   **For approval**

Minutes of the eighty-ninth meeting of the Audit Committee held on Monday 21 October 2019 at 11 am in Arrol, Lowden.

Members	Officers	In attendance
* Mr H McKay (Convenor)	Ms M Cahill	Ms J Blair, SQA
* Ms E Craig	Ms F Robertson	██████████ SQA
Ms A Davis	Dr G Stewart	Mr S Borley, SQA
* Dr W Mayne		██████ Scott-Moncrieff
* Dr K Thomson		Mr A Dickson, SQA
		Mr L Downie, SQA
		██████████ SQA
		██████████ SQA (A89/8 only)
		██████████ SQA
		██████ Audit Scotland
		██████ SQA
		Mr D Middleton, SQA Chair
* indicates present		██████████ Scott-Moncrieff

89/1   **WELCOME AND APOLOGIES**

The Convenor welcomed members to the eighty-ninth meeting, including Mr David Middleton, SQA Chair, Ms Jean Blair, Director of Operations, Mr Lee Downie, Director of Business Systems and Transformational Change, ██████████ from Audit Scotland and from Scott-Moncrieff, ██████████ and ██████████

Apologies were recorded for Ms Davis, Ms Cahill, Ms Robertson, Dr Stewart and ██████████ from Audit Scotland.

There were no conflicts of interest declared.

89/2   **MINUTES OF THE PREVIOUS MEETING**

i   **Approval of minutes from previous meeting**

A minor typographical error was highlighted and it was advised that this would be amended on the electronic version of the minutes.

88/5   **SQA Internal Audit Work Report**

The Committee suggested that in order to ensure clarity, ~~that~~ [delete] it was confirmed with the trade unions that this agreement related only to policies that had an impact on staff.

Subject to the above minor amendment the minutes of the eighty-eighth meeting of the Committee held on 29 July 2019 were approved as an accurate record of the meeting.

ii   **Action Grid**

88/4   **Corporate Risk Register**

At the last meeting, the Committee had requested that the Executive Management Team (EMT) review the probability and scoring of two major incident risks to ensure that they remained fit for purpose and if there was a need to split them into smaller, distinct risks. EMT had reviewed and Mr Downie provided an update to the Committee:

- 14CRR20 - the risk was associated with Business Continuity.

  EMT had agreed that the Net Score (probability 4, impact 5) was reflective of the current position. Work continued on developing a centralised plan and it was anticipated that in time the probability could be reduced.

  EMT agreed that as the overall purpose of the risk was to ensure that business processes could continue during a time of emergency or disaster, it was appropriate to keep all the functions within one risk.

- 17CRR37 - the risk was associated with a combination of both disaster recovery and technology platform.

  The Net Score (probability 5, impact 5) had been reviewed and if the probability was reduced to four, then the overall risk rating would be reduced by 20% and EMT agreed that it was not reflective of the current position.

  Going forward, the risk would be divided into specific aspects of the overall disaster recovery plan.

The Committee noted the contents of the Action Grid.

iii   **Workplan**

The Convenor explained that on finalisation of the 2020 meeting dates for the SQA Board, the Committee's meeting dates would be circulated virtually.

The Convenor went on to highlight that the first meeting in 2020 would potentially have a large agenda, with a number of Scott-Moncrieff reports scheduled to be presented, including the Annual Private Session with both the external and internal Auditors.

Discussion lead to the contents of the workplan and the following was raised:

- It was clarified that Restructuring and Redeployment Policies audit would be a review of the policies and procedures for restructuring and redeployment and would be presented to the next meeting of the Committee.

  The Restructure Implementation audit would be a review of the implementation of the policies and procedures in relation to the next restructuring exercise. It was noted that the next restructuring exercise would conclude in 2020, however, not in the current financial year.

- Scott-Moncrieff highlighted that it was good governance practice for an Audit Committee to consider its effectiveness annually.

  It was agreed beneficial that the review of the effectiveness be held at a point in the year that would allow any issues to be addressed before the Committee's annual report to provide assurances in relation to SQA's governance, risk management and control environment to the SQA Board.

  The Committee agreed that this would coincide with the Annual Private Session with both the external and internal Auditors.

- The Committee agreed that it would be prudent to review the assurance map annually, and that this would take place at the last meeting of each calendar year.

  The Committee noted the contents and the adjustments to the workplan.

89/3   **MATTERS ARISING**   Redacted - section 38(1)(b)

88/9   **External Audit Activity – Audit Scotland Annual Audit Report**

███████ confirmed that Ms Robertson, Ms Ellison and ███████ had agreed revised narrative around the financial sustainability of SQA and the narrative included on SQA's position on the savings target set by the Scottish Government.

The Committee noted that the revised report had been presented to the SQA Board at its meeting on 21 August 2019.

Risk Appetite Matrix

The Convenor advised that following discussion at the SQA Board on 9 October, the Committee was requested to review the proposed Risk Appetite Matrix, and this would be discussed under A89/13.

89/4   **ANTI-FRAUD POLICY**

Mr Borley, as Fraud Response Co-ordinator, advised the Committee of an instance of financial irregularity that had been identified through finance processes.

He explained that the steps outlined in the SQA Anti-Fraud Policy had been applied and a Fraud Response Group had been convened. The Fraud Response Group would continue to oversee the investigation and would ensure there was an opportunity to consider lessons learned and any changes to policy, procedures or practice required as a result of the matter.

It was noted that on completion of the investigation the outcome would be reported to the Committee.

89/5   **CORPORATE RISK REGISTER**

In the absence of Ms Cahill, Mr Borley 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 15CRR32 - The risk was associated with insufficient number of appointees to develop, quality assure and/or assess qualifications.*

  EMT reduced the probability score from 4 to 3, as recruitment for 2019-20 appointments was on track with no external factors identified that could potentially impact on recruitment.

  The Committee endorsed the probability score reduction and noted that it then resulted in the risk ranking changing from 'red' to 'amber'.

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

  EMT reduced the probability score from 5 to 2, as the planned industrial dispute had been adjourned and a programme of works to address any issues had been agreed.

  The Committee endorsed the probability score reduction and noted that it then resulted in the risk ranking changing from 'red' to 'amber'.

- *Risk14CRR22 - The risk was associated with securing the required grant from Scottish Government to deliver business as usual.*

  It was clarified that narrative on the Spending Review was not included within the risk, as it was associated with securing additional resource investment for SQA over a four-year period to 2023-24.

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

- *Risk14CRR23 - The risk was associated with increased levels of staff absence and SQA unable to deliver its full breadth of commitments.*

  The Committee were reassured that management closely monitored staff welfare. An Employee Assistance Programme was also available to SQA staff; a team of trained practitioners, qualified counsellors, and legal workers offer independent information and focused support and advice.

  SQA's People Survey 2019 was due to close on 1 November 2019 and actions plans would be developed to address topics raised in the responses at both corporate and local level. It was noted that the high-level outputs from the survey would be discussed by the Performance Committee at its meeting in November.

The CRR cover paper highlighted any adjustments to risk scorings. Going forward the Committee requested that narrative was included to explain the rationale behind any adjustments.

89/6 **SQA INTERNAL AUDIT WORK REPORT**

Mr Dickson presented the report that detailed progress on the 2019-20 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 a number of Management Actions that had slipped beyond the original targeted dates.

The Committee noted the contents of the report.

89/7 **INTERNAL AUDIT ACTIVITY - SQA**   Redacted - section 38(1)(b)

i   **Internal and External Audit Tracking Reports**

Internal Audit Tracker Report

████████   presented the internal audit tracking report as at October 2019, and the following management actions were covered in the course of discussion:

▪ *Approach to monitor SQA Connect application (Ref 147.4 - IT System Review; SQA Connect) & Managing privileged access rights (Ref 148.1 - ISO 27001 - IT Controls)*

The Committee were reminded that SQA had been reliant on the Scottish Government's Security Operating Centre (SOC) project which had been on hold, with no indication on when or if the project would re-start.

SQA had reconsidered all available options and an alternative supplier had been appointed to take forward the work, which was on track for completion by December 2019.

▪ *Project benefits statement and benefit realisation (Ref 161.1 - Change Programme)*

The Committee noted that a revised completion date had been allocated due to an underestimation on the level of work involved to complete the action.

▪ *QDS Verification (Ref 162.2 - Qualifications Directorate Management Information System)*

The Committee requested an update on the status of the questionnaire for the Qualification Development Specialists and noted that this would be checked with the Qualifications Portfolio Management team.

The Committee noted the contents of the report.

External Audit Tracker Report   Redacted - section 38(1)(b)

████████   presented the external audit tracking report as at October 2019, highlighting that four of the actions that related to Audit Scotland's 2018-19 Interim Management Letter had been completed, however, they would remain on the tracker until the next Audit Scotland audit in January 2020.

The Committee noted that corrective actions that had been taken to address four minor non-conformities (NCs) ISO Standards findings and that these would be removed from the report.

Discussion took place around the minor NC that was assigned to the Committee. Mr Borley reminded the Committee that SQA believed that an audit by SQA's Security Partner, NCC, would have been acceptable, however, Lloyd's Register Quality Assurance (LRQA) had advised that this was not the case, and as such Scott-Moncrieff was approved by the Committee to undertake an additional audit in this area (ISO27001 IT Controls). The corrective narrative had described requirements to amend the audit plan, and as owners of the Internal Audit Plan, the Committee had been assigned as the actionee. On review of the report, it was realised that the audit plan referred to was not SQA's Internal Audit Plan. He went on to advise that there was a change in personnel within LRQA and the assessor now assigned to SQA had a fuller understanding of its operations. The Committee was assured that going forward any LRQA findings would be assigned to the Information Governance team within the Finance and Corporate Services Directorate, who managed the LRQA programme, and not the Committee.

The Committee noted the contents of the report.

ii   **ISO 9001 Certificate Renewal Report - August 2019**

Mr Borley presented the report from the re-certification visit that had been conducted between 27 - 29 August 2019, to ensure that the existing certification to the management system standard had been maintained and to review the effectiveness of SQA's (partial) quality management system.

During the visit, two minor NCs from previous visits were closed, and one new minor NC had been identified. At the conclusion of the visit, the assessor determined that the requirements of ISO 9001:2015 were met and continued certification was recommended.

The Committee noted the contents of the report.

iii   **ISO 27001 Certificate Renewal Report - September 2019**

Mr Borley presented the report from the re-certification visit that had been conducted between 18 - 20 September 2019, to ensure that the existing certification to the management system standard had been maintained and to review the effectiveness of SQA's (partial) quality management system.

During the visit, four new minor NCs were identified. It was highlighted that two minor NCs were recorded during the visit and subsequently closed. From previous visits, the assessor closed two minor NCs. At the conclusion of the visit, the assessor determined that the requirements of ISO 27001:2013 were met and recertification was recommended.

Referring back to the earlier discussion on the External Tracker (A89/7 i), the Committee were reminded that any NCs would be assigned to the Information Governance team within the Finance and Corporate Services Directorate.

Discussion took place around the narrative included in the report about the appropriateness of the assessment plan. The Committee was assured that the assessments plans were agreed and communicated to the appropriate teams in advance. The incident referred to in the report was due to unexpected staff sickness. The Committee agreed that the narrative was

misleading and suggested that in future LRQA should clearly explain any adjustments to the assessment plan.

The Committee noted the contents of the report.

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

███████ presented the report on SQA's activity and responses to published Audit Scotland National Reports published between May and September 2019.

███████ clarified that the Scottish Public Pensions Agency: Update on management of PS Pensions project report was a follow-up to the Section 22 report, 2017-18 audit of the Scottish Public Pensions Agency: Management of PS Pensions project.

The Committee noted the contents of the report.

89/8 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF** Redacted - section 38(1)(b)

███████ Operational Planning Manager, was welcomed to the meeting to the meeting.

i **Follow Up Report**

███████ presented the report for the period June to September 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 two actions, decreasing the number of open actions from nineteen to seventeen.

Outstanding actions had increased to six, and it was highlighted that two of these were given revised timescales following the Scottish Government's decision not to introduce backup modules, which SQA had anticipated to being able to use. None of the actions were high risk.

Discussion took place around the terminology used within Scott-Moncrieff's opinion of SQA's progress in monitoring and implementing recommendations. It was clarified that as the full workload of an organisation was never known to Scott-Moncrieff, the opinion provided was that of Scott-Moncrieff's and was not there as a judgment on management.

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 September 2019 and advised that in the latest period continued support had been provided to SQA in the creation of an assurance map and three reviews were completed.

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

iii **Internal Audit Report – Strategic & Operational Planning**

███████ presented the report that reviewed the strategic and operational planning arrangements in place at SQA.

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

The Committee noted the contents of the report.

Redacted - section 38(1)(b)

iv **Internal Audit Report – Appointee Fees and Expenses**

███████ presented the report that reviewed both the manual and electronic appointee fees and expenses processes of the Events Management and Marking Support teams, which process the majority of all fees and expenses paid to appointees by SQA.

The Committee were reminded that following Audit Scotland's findings (Interim Management Letter 2018-19) it was agreed a review of the associated authorisation process for markers' claims.

Overall, a positive report with robust and efficient controls in place, with several areas of good practice identified. Two low-grade improvement actions in relation to publishing up-to-date policies and procedures and adopting a percentage variance threshold for reporting were identified and, once implemented, would allow SQA to further strengthen the control framework.

Redacted - section 38(1)(b)

Ms Blair reassured the Committee that following a successful pilot for using the electronic system for processing marker fees and expenses claims, this would be rolled out to other appointees. She then took the opportunity to thank ███████ and the rest of the team who worked on the project.

The Committee were encouraged by the findings of the report.

███████ left the meeting.

89/8 **INTERNAL AUDIT ACTIVITY - SQA & SCOTT-MONCRIEFF – ASSURANCE MAPPING**

SQA worked with Scott-Moncrieff to establish an assurance framework and develop an assurance mapping process. Initial mapping focussed on assessing the current assurance activities in the third line of defence. A number of first and second line activities had also been captured and further work would be undertaken and then reflected in the assurance map. SQA would ensure that all assurance activities in all areas of responsibility were captured to ensure that the assurance map provided an accurate position. It was highlighted that Accountable Officers could use the assurance framework when considering the systems of internal control, governance and risk management and in preparing the annual governance statement.

The assurance map was a live document and changes in SQA's activities, risks and issues would be reflected as these change. The Committee welcomed that a process for the ongoing development and maintenance of the map had been devised

and would be used to ensure the map remains up-to-date and a useful tool to ensure SQA's governance arrangements and responsibilities were appropriate and proportionate.

The Committee noted that to compliment the assurance map, a governance map would also be developed that would assist in identifying the flow of decision-making across SQA.

The Committee were reminded that earlier in the meeting, when discussing the workplan (A89/2 iii refers), it had been agreed to undertake an annual review of the assurance map.

89/10 **DRAFT: CORPORATE PLAN 2020-23**

Mr Borley presented the initial draft of the 2020-23 Corporate Plan, based on the work carried out to date on the development of SQA's new performance framework, highlighting that the version was the same as the version presented to the SQA Board in August. Some minor typographical errors were highlighted within the document, and the Committee were reminded that it was the initial draft for consultation and the final version would be reviewed by SQA's Editorial team.

Discussing the syntax of SQA's values, Mr Borley explained that they had been set in present tense to ensure that the organisation understood that they were not ambitions for the future but were the fundamental principles of SQA.

Mr Borley went on to explain that the outcomes would be developed once the deliverables were agreed and clear measures identified for each. The Committee noted that they would consider and challenge outcomes, deliverables and indicators through a risk and assurance lens, and that the Performance Committee would consider and challenge outcomes, deliverables and indicators through a performance lens.

The Committee commended SQA for progressing from annually re-writing corporate objectives to a three-year Corporate Plan.

89/11 **NATIONAL FRAUD INITIATIVE 2018-19 EXERCISE**

Mr Dickson presented the 2018-19 National Fraud Initiative (NFI) report and was pleased to advise that no data matches occurred as a result of fraudulent activity.

The Committee noted the contents of the report.

89/12 **SQA PROCUREMENT ANNUAL REPORT 2018-19**

To comply with legislation, SQA is required to produce and publish an annual report under the Procurement Reform (Scotland) Act 2014 Part 2 section 18.

Mr Dickson presented SQA's second procurement annual report on its regulated procurement activities. Two minor typographical errors where identified during discussion of the report and the Committee noted that these would be amended prior to publication.

The Committee noted the contents of the report.

89/13 **ANY OTHER BUSINESS**

Risk Appetite Matrix

The Convenor reminded the Committee that following discussion at the SQA Board on 9 October, the Committee was requested to review the proposed Risk Appetite Matrix.

Mr Borley explained the proposed new risk appetite matrix and the new approach that would allow more joined up thinking and allow risks and opportunities to be captured more accurately. The Committee were reminded that management use the matrix to identify and assess risks, undertake responses to risks then review and update the relevant risk registers.

During discussion on the areas, particularly Legislative, Statuary and Compliance, Ms Blair advised that previously the Advisory Council had been provided with an overview of the legal environment in which SQA operates, and that this could be useful for the SQA Board.

The Committee suggested that it would be helpful to include narrative in the matrix to explain what was covered within each area.

89/14 **DATE OF NEXT MEETING**

On finalisation of the 2020 meeting dates for the SQA Board, the Committee dates would be circulated to the Committee.

Later: The next meeting of the Committee would take place on Monday 16 March 2019.