SCOTTISH QUALIFICATIONS AUTHORITY   **A91/2 i**

AUDIT COMMITTEE – 1 JUNE 2020   **For approval**

Minutes of the ninetieth meeting of the Audit Committee held on Monday 16 March at
11.35 am in Simpson/Smith, Lowden, and teleconference.

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Mr M Baxter (A90/1 - 90/6 & 90/8)⁺	▮ Scott-Moncrieff
* Ms E Craig⁺	* Ms F Robertson (A90/4 - 90/7 ii)	Mr L Downie, SQA
* Ms A Davis	Dr G Stewart	▮ SQA⁺
* Dr W Mayne		▮ SQA
Dr K Thomson		▮, Audit Scotland
		▮ Scott-Moncrieff
		Mr D Middleton, SQA Chair
		▮ Scott-Moncrieff
		▮ Audit Scotland

* indicates present
⁺ indicates joined by teleconference

90/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninetieth meeting, including
Mr Mike Baxter, Director of Finance and Corporate Services, to his first meeting of
the Committee.

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

Apologies were recorded for Dr Thomson, Dr Stewart, ▮ and Mr Borley.

There were no conflicts of interest declared.

90/2 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.

89/2 i Approval of the minutes from the previous meeting

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

Subject to the above minor amendment, the minutes of the eighty-ninth
meeting of the Committee held on 21 October 2019 were approved as an
accurate record of the meeting.

ii Action Grid

The Committee noted the contents of the Action Grid.

iii **Workplan**

The Convenor enquired when the Committee would receive a distillation of the independent report that the Office of the Chief Information Officer (OCIO) had conducted to provide formal assurance for SQA's Change Programme.

In response, Mr Baxter advised that a subsequent report had been conducted in December 2019, and that an update on Digital Assurance, which would include coverage from both OCIO reports and other forms of assurance, would be presented to the next meeting of the Committee.

The Committee noted the contents of the workplan.

90/3 **MATTERS ARISING**

89/5 **Corporate Risk Register**

The Committee noted that the presentation to the Performance Committee on SQA's People Survey 2019 was deferred from November 2019 to the meeting held on 24 February 2020.

The Chief Executive joined the meeting.

90/4 **CORPORATE RISK REGISTER**

Mr Baxter 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 14CRR22 - The risk was associated with securing the required grant from Scottish Government to deliver business as usual.*

A combination of savings of £2.944 million with final support from Scottish Government funding would enable a balanced position to be achieved.

EMT proposed to reduce the probability from 4 to 1 and impact from 5 to 4, that resulted in the risk ranking changing from 'red' to 'green', therefore deescalating the risk to Finance Directorate Risk Register.

The Committee endorsed the proposal to deescalate the risk.

- *Risk 15CRR28 - The risk was associated with securing the required grant from Scottish Government for SQA Accreditation to deliver its statutory duties.*

The advice received from Scottish Government was that the funding allocated through the Spring Budget Revision would be sufficient to cover the additional costs of SQA Accreditation and allow delivery of statutory duties.

EMT proposed to reduce the probability from 3 to 1, that resulted in the risk ranking changing from 'red' to 'green', therefore deescalating the risk to the appropriate Directorate Risk Register.

The Committee endorsed the proposal to deescalate the risk.

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

  The dispute with Unite had been resolved and formally withdrawn, therefore EMT proposed to close the risk.

  The Committee queried if the risk could be closed as it was referred to as a risk relevant to the audit conducted by Scott-Moncrieff on Restructuring and Redeployment Policies. It was highlighted that the report had been finalised in November 2019, however, today was the first meeting it could be presented to the Committee (A90/7 vi refers). In addition, Scott-Moncrieff advised that SQA's CRR was revised at the time of the audit, and as such, the risk had been current at that time.

  The Committee endorsed the closure of the risk.

- *Risk 19CRR40 - The risk was associated with SQA not adequality funded to deliver the level of service expected by stakeholders.*

  The Scottish Draft Budget published on 6 February assumed continuation of RNQ funding in 2020-21, and EMT proposed to reduce the probability from 4 to 3, with no change to risk ranking.

  The Committee endorsed the reduction in the probability score.

- *20CRR41 - New risk that was associated with potential Ofqual regulatory action.*

  EMT proposed to add a new risk in relation to Ofqual who believed that SQA had breached their conditions of recognition in relation to how aspects of malpractice concerns were investigated and actions specifically in relation to the Health and Safety in a Construction Environment qualification in the English market. Ofqual had referred this to their Legal, Moderation and Enforcement Team for further investigation, and SQA was awaiting the outcome report.

  It was noted that at the February meetings of the both the Performance Committee and the Qualifications Committee, SQA's position with Ofqual had been discussed.

  The Committee was assured that an Action Plan had been developed to manage any findings / recommendations of the report from Ofqual, and this would be closely monitored by EMT.

  The Committee endorsed the addition the new risk to the CRR.

Coronavirus

EMT had agreed that a new risk should be considered regarding the ongoing outbreak of Coronavirus and the potential disruption to SQA's ability to deliver its business objectives. It was advised that at the extraordinary meeting of the SQA Board that convened prior to this meeting, they had been provided with a confidential full briefing on the situation and the various contingencies for SQA.

In the ensuing debate, it was recognised that SQA and society as a whole was going through unprecedented times and the situation was very fluid and unfolding on a daily basis.

The Committee acknowledged that there was clearly a link to 14CRR20 (risk associated with Business Continuity), and that arguably the Coronavirus situation could be viewed as an issue, however, it was agreed that a separate risk specifically related to the situation should be recorded on the CRR. In addition, the Committee agreed that the CRR should not be used as a means to manage the situation given the fluidity, and that within the mitigation actions on the CRR, narrative should be included to highlight the link to 14CRR20 and that contingency plans were underway.

The Committee endorsed the addition of a new risk on Coronavirus to the CRR.

90/5   **SQA INTERNAL AUDIT WORK REPORT**

Mr Baxter 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 onto 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.

He highlighted that the number of management actions to be added to the internal tracker, regarding Scott-Moncrieff's ISO27001 – IT Controls audit report (A90/7 iii refers) would be reduced from twelve to nine. This was a result of two weaknesses covering multiple controls and two ungraded Observations.

Two high risk management actions (147.4 and 148.1) from the Business Systems Directorate remained outstanding and Mr Downie went on to advise that both actions were linked and related to the Security Operating Centre (SOC) solution that was underway. Slippage was due to technical challenges during setup and configuration of firewalls. The project plan and timelines were reviewed to reflect a number of resource challenges for the next phase and these were on track for completion by the end of the month.

The Committee noted the contents of the report.

90/6   **INTERNAL AUDIT ACTIVITY – SQA - INTERNAL AND EXTERNAL AUDIT TRACKING REPORTS**   Redacted - section 38(1)(b)

Internal Audit Tracker Report

███████   presented the internal audit tracking report 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)*

    Both management actions were assessed as 'red' and the Committee noted that Mr Downie had provided an update on these earlier in the meeting (A90/5 refers).

- *Governance arrangements (Ref 151.3 - Corporate Performance management)*

  The management action was assessed as 'red' and it was anticipated that it would be closed for the next meeting, following approval of the Qualification Committee Standing Orders at the April meeting of the SQA Board.

- *Varied threshold limit (Ref 164.2 - Appointee Fees and Expenses)*

  The management action was assessed as 'amber' and it was anticipated that it would be closed for the next meeting.

  The Committee enquired what was the existing format that would continue for individual appointee information. In the absence of the project lead, it was agreed that this would be reviewed and reported back to the Committee.

- *Protection of test data (Ref 148.5 - ISO 27001 - IT Controls)*

  The management action had been validated and closed by Scott-Moncrieff, however, the Convenor questioned if the action had been fully addressed.

  The Committee were reminded that the audit had been undertaken in 2017 and prior to the introduction of the General Data Protection Regulation (GDPR).

  Scott-Moncrieff confirmed that since the time of the 2017 audit considerable improvements to the controls in place, in the form of the Data Protection Impact Assessments, had been made and the management action was sanctioned as closed.

  It was highlighted that the newest audit report in this area (A90/7 iii refers) had identified an observation in the area of protection of test data, and it was suggested that any further discussion was deferred to when the audit report would be presented. The Committee endorsed this.

The Committee noted the contents of the report.

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

█████████ presented the external audit tracking report and highlighting six actions were on track, and five actions were marked as awaiting formal closure by either Audit Scotland or LRQA.

The Committee noted the contents of the report.

The Committee agreed to consider item A90/8 before resuming the presentation of the remainder of the agenda.

90/8 **INTERNAL AUDIT ACTIVITY - SQA & SCOTT-MONCRIEFF – INTERNAL AUDIT PLAN 2020-21**

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 proposed conducting eleven audits through the year, and the changes were highlighted:

- Website Content Management/Social Media audit - Postponement to the next audit plan as it was not deemed as a high priority.

- Travel and Expenses - An additional audit to cover a review of the arrangements in place for maintaining and publishing the travel and expenses guidance.

- The Stakeholder Engagement - Audit scope amended to focus on the stakeholder register and process for monitoring and reporting stakeholder engagement.

- Business Cases - Audit scope amended to focus on the Business Cases going through the Business Case Group (BCG) and the Products and Services Group process.

  It was highlighted that any Change Programme Business Cases would be covered in the audit covering this Programme.

- Information Systems Management - Audit would be removed from the plan as enough assurance was already planned by Business Systems in this area.

The Committee considered the audit areas for review across SQA in recent years, noting an even spread across all audit areas.

Discussion took place around the removal of the Information Systems Management audit and it was confirmed that there had been significant amount of activity in this area in recent years, including the Change Programme audit that would review the progress of the Programme. The Committee was also reminded of the earlier discussion on the workplan (A90/2 iii refers), when it was advised that an update on Digital Assurance, which would include coverage from both OCIO reports and other forms of assurance, would be presented to the next meeting of the Committee.

Redacted - section 38(1)(b)

reminded the Committee that changes could be accommodated to the audit plan throughout the year. The Committee agreed that following the update on Digital Assurance at the next meeting, if further assurance in this area was required, then the audit plan would be reviewed.

The Committee approved the changes to the 2020-21 audit plan.

The remainder of the agenda resumed the original presentation order.

Mr Baxter left the meeting.

90/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

presented the report for the period September 2019 to February 2020, 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 five actions and the number of open actions remained at seventeen. Outstanding actions had decreased to five and none were deemed high risk.

It was highlighted that SQA continued to make good progress, particularly with actively addressing actions.

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 February 2020 and advised that eight reviews had been completed in the latest period. Two remaining audits were due for completion in the 2019-20 Internal Audit Plan and they were on track for presentation at the next meeting.

Brought to the Committee's attention was the appendix that detailed the responses to post-audit satisfaction surveys that were issued to the audit sponsor, key contacts and interviewees for each internal audit once a report had been finalised. Scott-Moncrieff were keen to continually improve the effectiveness of audits and were pleased with the responses received. Part of the survey included an option for auditees to provide narrative on what changes they would make to improve the audit process. No comments had been received, and it was highlighted that some audits did not provide opportunities for improvement.

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

iii   **Internal Audit Report - ISO 27001 - IT Controls**   Redacted - section 38(1)(b)

███████ presented the report that reviewed four IT controls sections that formed part of SQA's ISO 27001 certification, based on the 2013 edition of the standard and evidence was reviewed to validate the existence and operations of controls.

Overall, generally robust and effective controls were found to be in place with a number of areas where work was required to ensure continued compliance with the standard were identified. None of the weaknesses identified were considered as high risk. Two observation items linked to a number of control areas were also identified and the Committee noted that these would be added to the Internal Audit Tracker as ungraded observations. It was noted that some weaknesses identified were already covered by existing management actions included in the Internal Audit Tracker (A90/6 refers).

Picking up from the earlier discussion regarding the area of protection of test data, (A90/6 refers) ███████ advised that the audit had identified good controls, however there was a need to reduce or eliminate the practice of using live data. In response, Mr Downie advised that a solution to remove live data had been investigated, based on the new data platform where functionality could be used to anonymise data sets. By taking this approach SQA would avoid the need to spend additional costs, hence, this was the preferred option that SQA was exploring. This would eliminate the use of live data for day to day testing in the vast majority of cases. For any exceptional circumstances where this would not be the case additional layers of checks would be introduced by both himself, as Director of Business Systems, and Mr Baxter, as Director of Finance and Corporate Services, and as SQA's Chief Information Security Officer (CISO).

The Committee questioned one of the weaknesses identified that was already covered by existing management actions, in relation to information backup where it had been identified that the servers were being backed up but there was currently no proactive programme of testing of backups. Mr Downie assured the Committee that testing data of the backups had been undertaken on an ad hoc basic. Work was in progress to add system level backup to regular, preventative maintenance and specifically to regularly Disaster Recovery testing and this was on track for completion.

The Committee noted the contents of the report.

The Chief Executive left the meeting.

iv   **Internal Audit Report - Payroll**   Redacted - section 38(1)(b)

██████████ presented the report that assessed whether the key processes in relation to the new payroll system were operating effectively and in accordance with clearly documented procedures.

Overall, a positive report with robust and efficient controls in place with several areas of good practice identified. Five improvement actions were identified, with one deemed high risk, and once implemented, would allow SQA to further strengthen the control framework.

Change reporting   Redacted - section 38(1)(b)

Discussing took place around the high risk action related to the processes for reporting changes to standing payroll data, that could allow unauthorised amendments to be entered into the payroll system outside the correct processes and take effect without detection. It was noted that Scott-Moncrieff had identified that the risk was mitigated to an extent by other payroll checks, such as the net pay comparison which identified unusual variances in the amount paid to individual employees across consecutive pay periods.

██████████ advised that the controls in place were suitable, however, they were not always followed correctly and therefore not as effective as they could be.

The Committee observed that the planned management action indicated that an additional level of assurance concerning amendments, involving the introduction of additional reports, would be added to the system and questioned if this was the correct action to undertake, given that Scott-Moncrieff had confirmed that it was about the effectiveness of the controls that were already in place.

At this point, ██████████ highlighted a similar concern had been identified by Audit Scotland and this would be included in their 2019-20 Audit Plan.

In the absence of Mr Baxter, the Committee requested that Scott-Moncrieff consult with Finance colleagues regarding the issues identified to ensure that the correct management action would be undertaken.

The Committee noted the contents of the report.

v   **Internal Audit Report - Risk Management**   Redacted - section 38(1)(b)

████████   presented the report that reviewed SQA's risk management policies and processes by considered the approach taken for risk identification, risk analysis and risk mitigation at strategic and operational levels. Also considered was risk reporting throughout SQA, as well as the escalation of risks to the Audit Committee and the SQA Board.

Overall, generally robust and effective controls were found to be in place with a number of areas identified that would provide opportunities to improve the effectiveness of the risk management arrangements in place and ensure risks were being recorded, assessed and monitored consistently throughout SQA.

The Committee noted that one of the areas identified was SQA's Risk Management Policy, that specified that it was the responsibility of this Committee to review it. During the audit it was identified that the last review was conducted by EMT. In addition to the management actions assigned to SQA, the Convenor advised that the policy would be added to the workplan to ensure that it was regularly reviewed by the Committee.

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

vi   **Internal Audit Report - Restructuring and Redeployment Polices**

████████   presented the report that reviewed the controls in place at SQA for ensuring the restructuring and redeployment policies are adequate and consistent with legislation.

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.

It was enquired if the Trade Unions had reviewed the findings of the audit given that they had requested that this audit be undertaken. It was advised that as part of the agreement with the Trade Unions, they had reviewed a list of policies and the priority of them, and this was being worked through. It was noted that this audit had been one of the first to be reviewed.   The Committee were also reminded that the risk associated with the dispute with the Trade Unions (19CRR38) had been closed earlier in the meeting (A90/4 refers). The Committee suggested that, if not already done so, that the report was shared with the Trade Unions.

The Committee noted the contents of the report.

vii   **Internal Audit Report - International Development**   Redacted - section 38(1)(b)

████████   presented the report that reviewed the progress of SQA's International Sales Strategy. They considered market appraisals and growth plans for the five key markets identified, and potential new markets, including considering market selection, marketing and sales planning.

Overall, a very positive report with several areas of good practice identified.

Regarding Market Appraisals, and that the audit had found no weaknesses in this area, it was enquired why Saudi Arabia and human rights considerations had been raised in the press last year.

████████████ explained that the audit did not look specifically at SQA's Country Attractiveness Scoring assessment that considered Human Rights as part of this.

The SQA Chair advised that the Chief Executive and Mr McMorris had an appearance at the Education and Skills Committee regarding this and had provided a full account and explanation of why SQA were operating in Saudi Arabia. The Committee was assured that SQA, in line with other public bodies, followed the guidance from the UK and Scottish Governments in considering the markets in which it operates. As part of the due diligence process SQA introduced a Human Rights Impact Assessment which would consider each country and partner with which they were proposing to have a business relationship, and it was intended that this process would provide assurances that human rights were considered and respected.

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

viii **Internal Audit Report - Development of Assessment Materials**

████████████ presented the report that reviewed the processes in place to ensure that development of assessment materials is undertaken consistently and following engagement with key stakeholders and consideration of cost-benefit implications. The review focused on Higher National Vocational Qualifications (HNVQs).

He was pleased to report that the audit had identified robust and effective processes in place to ensure that paper-based assessment materials were produced efficiently and securely to consistent quality standards. Two minor improvement actions were identified and, once implemented, would allow SQA to further strengthen the control framework.

The Committee were encouraged by the assurance provided by the findings and noted the contents of the report.

ix **Internal Audit Report - Digital Assessment Services** Redacted - section 38(1)(b)

████████████ presented the report that assessed the planning and implementation of approaches to e-assessment development and delivery.

Overall, a positive report with robust and efficient controls in place with several areas of good practice identified. Some 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.

90/8 **INTERNAL AUDIT ACTIVITY – SQA AND SCOTT-MONCRIEFF – INTERNAL AUDIT PAN 2020-21**

Minute of the discussion recorded earlier in the meeting (after A90/6 and before A90/7).

90/9   **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND – ANNUAL AUDIT PLAN 2019-20**   Redacted - section 38(1)(b)

██████████ presented in detail the Annual Audit Plan 2019-20 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, for the year ending 31 March 2020 and the intended approach to issues impacting SQA's activities in that year.

In closing, ██████████ declared a caveat on the timetable for the accounts given the current circumstances with COVID-19.

The Committee noted Audit Scotland's Annual Audit Plan 2019-20.

90/10 **ANY OTHER BUSINESS**

There were no other matters raised under any other business.

90/11 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 1 June 2020, at 11am in Optima.

PRIVATE SESSIONS

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) for the annual session with auditors.

Review of Effectiveness

As per the suggestion of good practice from the Scottish Government Audit and Assurance Committee Handbook, the Committee undertook a review of its own effectiveness.