

SCOTTISH QUALIFICATIONS AUTHORITY

A92/2 i

AUDIT COMMITTEE – 27 JULY 2020

For approval

Minutes of the ninety-first meeting of the Audit Committee held on Monday 1 June 2020 at 11 am by Microsoft Teams.

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Mr M Baxter	[REDACTED] SQA
* Ms E Craig	* Ms F Robertson	Mr S Borley, SQA
* Ms A Davis	Dr G Stewart	[REDACTED] Scott-Moncrieff (A91/2 onwards)
* Dr W Mayne		Mr L Downie, SQA
* Dr K Thomson		[REDACTED] SQA+
		[REDACTED] SQA
		[REDACTED] Audit Scotland (A91/6 iii onwards)
		[REDACTED] SQA (A91/6 i - A91/6 ii only)
		[REDACTED] Scott-Moncrieff
		Mrs D Mahmoud, SQA
		[REDACTED] Scott-Moncrieff
		[REDACTED] Audit Scotland
		[REDACTED] SQA

* indicates present

91/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-first meeting, including Mr Lee Downie, Director of Business Systems and Transformational Change, and colleagues from Audit Scotland and Scott-Moncrieff.

A welcome was also extended to Mrs Dawnne Mahmoud, Director of People, to her first meeting of the Committee.

Apologies were recorded for Dr Stewart and Mr David Middleton, SQA Chair.

There were no conflicts of interest declared.

91/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

It was highlighted that Dr Thomson had been omitted from the apologies list and this would be rectified on the electronic version of the minutes.

90/5 SQA Internal Audit Work Report

Mr Downie requested that the reference to SIEM project be removed from the minutes.

90/9 External Audit Activity - Audit Scotland - Annual Audit Plan 2019-20

Redacted - section 38(1)(b)

[REDACTED] highlighted that the year ending for the report had been recorded incorrectly and should be 31 March 2020.

Subject to the above corrections, the minutes of the ninetieth meeting of the Committee held on 16 March 2020 were approved as an accurate record of the meeting.

ii **Action Grid**

The Committee noted the contents of the Action Grid.

iii **Workplan**

The Committee noted the contents of the workplan.

91/3 **MATTERS ARISING**

90/6 **Internal Audit Activity - SQA - Internal Audit Tracking Report**
(*Governance arrangements -Ref 151.3 - Corporate Performance*)

The Convenor advised that, for clarification purposes, due to the situation with the COVID-19 pandemic the Qualifications Committee Standing Orders were approved virtually by the SQA Board in April 2020, rather than at a meeting. The management action was still able to be closed, as detailed in the Internal Tracking Report (A91/7 i refers).

91/4 **CORPORATE RISK REGISTER**

Mr Baxter led on presenting the current status of SQA's Corporate Risk Register (CRR) and EMT proposals on some risks:

- *Risk 14CRR18 - The risk was associated with external factors within a project that could have impacted delivery of SQA activities.*

The Committee noted that the previously identified risk had been mitigated. After review, it had been agreed to further review the risk to consider wider external factors currently impacting on delivery and reputation. Appropriate mitigating actions would be updated.

EMT proposed to reduce the reduce risk score from twelve to four.

The Committee endorsed the risk reduction.

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

Since the last meeting full funding agreement for 2020-21 and transition from "programme" grant to "grant in aid" for mainstreamed ongoing costs relating to RNQ related activity had been agreed with the Scottish Government.

EMT proposed to reduce the probability from three to one, and the impact from four to two, resulting in a risk score reduction to two. Therefore, deescalating the risk to the Finance and Corporate Services Risk Register.

The Committee endorsed the proposal to deescalate the risk.

In response to the COVID-19 pandemic, EMT proposed the addition of six new risks. It was explained that these were similar and connected, however, to balance the range of mitigating actions it had been agreed to separate these.

- *Risk 20CRR42 - The risk was associated with submission of estimate/ranking by centres.*
- *Risk 20CRR43 - The risk was associated with statistical and technical resources to support the Alternative Certification model for 2020.*
- *Risk 20CRR44 - The risk was associated with the current Coronavirus outbreak disruption.*
- *Risk 20CRR45 - The risk was associated with the system modifications required to deliver 2020 certification.*
- *Risk 20CRR46 - The risk was associated with the data required to deliver 2020 certification.*
- *Risk 20CRR47 - The risk was associated with public confidence in SQA's Alternative Certification model for 2020.*

The Committee endorsed the addition of six new risks to the CRR.

The following risks were covered in the course of discussion:

- *Risk 14CRR23 - The risk was associated with staff experiencing high levels of stress and had been updated to reflect the situation with the COVID-19 pandemic.*

The Committee requested clarification on why the gross score was 25, and the net score was six, with a green risk ranking. In response, it was advised that it was an inherent risk and the gross score was rated the highest as severity of it occurring could be catastrophic. The low net score was because the risk was well managed.

Mrs Mahmoud went on to advise that there had not been an increase in absences during the COVID-19 pandemic. Any absences that had occurred had resources put in place to assist. EMT were closely monitoring the situation, and feedback had indicated that staff felt there were more resources in place. A pulse survey to find out how staff were feeling about working in SQA during the COVID-19 pandemic had been issued. The Committee was assured that EMT's priority continued to be the health and wellbeing of the staff.

- *Risk 20CRR42 - The risk was associated with submission of estimate/ranking by centres.*

The Committee requested clarification on why the new risk had been rated amber. In response, the Committee were reminded that the CRR reflected the position at that point in time.

The Chief Executive took the opportunity to advise that the estimation deadline had passed with the majority of estimates submitted, a very small number would be followed up but did not cause any concern.

She acknowledged the considerable work of the education sector to deliver to the deadline in these very difficult circumstances and had issued a message of thanks to that effect. A communication would be issued to schools and colleges and would confirm that the information had been received and include an update on progress with the Alternative Certification Model 2020.

- ❖ *Risk 15CRR29 - The risk was associated with salary levels that inhibit SQA's ability to recruit and retain key staff, although SQA-wide, it was more acute within the Business Systems Directorate.*

It was suggested that SQA could take advantage of the situation with the COVID-19 pandemic to recruit, especially for technical skilled job roles.

Mr Downie was pleased to report that there had been good progress with recruitment within his Directorate. There were still some technical skilled job roles vacant and these would be progressed in time.

- ❖ *Risk14CRR3 - The risk was associated with a breach of security.*

The Committee was assured that security remained paramount to SQA and noted that the Security Operating Centre (SOC) Service was live and operational, with alerts issued when anything untoward or unusual was detected.

91/5 **SQA INTERNAL AUDIT WORK REPORT**

Mr Baxter presented the report that detailed the completing of the residual 2019-20 Internal Audit Plan and the progress against the 2020-21 Internal Audit Plan. 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, however, this had reduced to 17%.

The Committee noted the contents of the report.

Redacted - section 38(1)(b)

██████████ SQA's Quality Manager, was welcomed to the meeting.

91/6 **INTERNAL AUDIT ACTIVITY – SQA** Redacted - section 38(1)(b)

i **Internal and External Audit Tracker Reports**

- ***Internal Audit Tracker Report***

██████████ presented the internal audit tracking report.

- ❖ *IT Disaster Recovery Plan (Ref 160.1)*

Mr Downie was pleased to report that the outstanding part of the action had been completed and that there was a programme of testing had been agreed between Platform Services and Service Performance teams.

The Committee noted that due to the lead-in time to produce the report, it had not been possible to submit evidence to Scott-Moncrieff to validate and close the action. This would be completed for the next meeting.

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 that there were six open actions, and six actions were marked as awaiting formal closure by either Audit Scotland or LRQA.

❖ *Contract Services (Bright Ideas scheme) - ISO 9001 Surveillance Visit*

In response to an enquiry from the Convenor, ██████████ advised that there had been insufficient evidence of analysis and evaluation of the scheme to close the action. In addition, he saw no reason to be concerned that LRQA would not be able to close off satisfactorily at their next visit, provided that the scheme was consistently maintained and managed by the Business Development Directorate.

The Committee noted the contents of the report.

In closing, Mr Baxter took the opportunity to thank the team for the substantial work involved in collating the reports.

ii **ISO 9001 Surveillance Report – 21 March 2019**

Mr Borley presented details of the surveillance visit that had been conducted between 23-24 April, to ensure that compliance with existing certification to the management system standard had been maintained. He advised that although progress had been made on one existing minor non-conformity (NC), there were insufficient records to enable its closure at the time and the action remained open. One new minor NC had been identified.

At the conclusion of the visit, the assessor determined that the requirements of ISO 9001 were met, and continued certification was recommended.

The Committee noted that the visit had taken place remotely due to the COVID-19 pandemic and that LRQA had acknowledged that SQA had adapted. LRQA had suggested that SQA conduct a review to consider lessons learned and improvements identified. Mr Borley advised that SQA were already taking this forward.

The Committee noted the contents of the report.

Redacted - section 38(1)(b)

██████████ left the meeting and ██████████ from Audit Scotland joined the meeting.

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

██████████ presented the update on SQA's activity and responses to published Audit Scotland National Reports published between October 2019 and March 2020. During the period, thirteen reports were identified and reviewed by EMT, with two processing to relevant Directorates for further review.

Given the large number of Audit Scotland National Reports that were produced, the Committee were assured that mechanisms were in place to track and monitor all Audit Scotland National Reports.

EMT confirmed that it was helpful to review the reports for awareness, particularly ones within the IT area to ensure that SQA keep abreast of lessons learned.

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

The Committee noted the contents of the report.

iv **SQA's Internal Audit Annual Report for year ending 31 March 2020**

Mr Baxter presented the report that provided an annual assurance statement from the Finance and Corporate Services Directorate on various aspects of the team's work for the year ending 31 March 2020. A total of 66 Management Actions had been implemented to strengthen SQA's controls further.

During discussion, the Committee requested clarification on why there was a grade four action reported in the Internal Audit Tracker Report (A91/6 i refers) but not within this report. In response, it was explained that the action was from the Internal Audit Report on IT Disaster Recovery, from the 2018-19 Internal Audit Plan, and had been reported in last year's report.

The Committee noted the report.

91/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

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

██████████ presented the report for the period February to May 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 twenty-seven actions. The number of open actions had increased to twenty-four, with outstanding actions increasing from five to nine.

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 May 2020 and advised that four reviews had been completed that closed out the 2019-20 Internal Audit plan. Against the 2020-21 Internal Audit plan, fieldwork for the audit on Counter Fraud Arrangements had been completed and the report would be presented to the next meeting

As part of the annual review meeting with EMT, the post-audit satisfaction surveys were discussed. Feedback from Scott-Moncrieff was that although valuable they were not quantitative, and it was agreed that EMT would discuss further how this could be improved.

Given the situation with the COVID-19 pandemic and the modifications to the certification model for 2020, the Committee suggested that it might be worthwhile to revisit some audit areas in 2020-21. In response, it was noted that EMT would be closely monitoring the audit universe and reminded the Committee that changes could be accommodated to the audit plan throughout the year.

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

iii **Internal Audit Report – Succession planning** Redacted - section 38(1)(b)

██████████ presented the report that reviewed the succession planning processes. Particularly in relation to senior management, and how SQA was considering the skills and resources which would be required to deliver the 2020-23 Strategic Plan, meeting the challenges faced including planning for continuity and ongoing succession management.

Overall, a positive report with robust and efficient controls in place for assessing the performance of key staff, and for considering the skills and resources which would be required to deliver the 2020-23 Strategic Plan. Several areas of good practice and two improvement actions were identified that would allow SQA to further strengthen the control framework.

Discussion led to the highest priority action that was to ensure that succession plans for EMT were developed. The Committee acknowledged that there had been some changes within EMT in the last year and were pleased to note that an action plan had been developed to take forward EMT's succession plan. The initial stage to identify successors and any gaps across the organisation was underway. The Committee also welcomed that the focus would include individual aspiration and career progression. Mrs Mahmoud, as the new Director of People, took the opportunity to advise that one of her priorities would be to develop and deliver a People Strategy, and part of this would be to promote talent mapping and succession planning.

The Committee requested clarification on the SMART objectives associated to individual succession development and the link to the newly developed Performance Committee. In response, the Committee welcomed that staff would be able to map personal, team and Directorate objectives to the Performance Framework to allow a greater understanding of what SQA was trying to achieve. In addition, that the Performance Framework would be embedded over time into SQA's intranet and aligned with other documents, data, research etc.

The Committee suggested that succession planning, particularly EMT's, could be worthwhile for discussion at the Performance Committee.

The Committee welcomed the assurances provided from the review.

iv **Internal Audit Report - Data Lifecycle Management** Redacted - section 38(1)(b)

██████████ presented the report considered the data lifecycle management arrangements in place including compliance with procedures for data cleansing and data retention within SQA.

The report revealed good practice in a number of areas, with several activities underway including the development of a data governance strategy and provision of training to data stewards across the business. Five improvement actions were identified that once implemented, would allow SQA to further strengthen the control framework. Overall, SQA was at a low level of maturity within this arena. ██████ took the opportunity to highlight that within their client base, SQA was one of the very few organisations who were proactive in seeking to establish effective data governance and data management.

The Committee commended that EMT had proactively looked to address what was a difficult area for all organisations and acknowledged that SQA was at an early stage in establishing formal processes and procedures in relation to data governance and management.

Mr Downie went on to explain that the audit had been requested to identify any issues and allow SQA to address these early on. Initial work would focus on establishing a suitable framework that would establish standards and policies and build on work which was already underway.

To address the findings, the Committee acknowledged that this would be long term, built and implemented around four phases. To ensure appropriate governance it was proposed that a Business Case would be developed, to allow a formal project to be established and managed through the Legislative, Statutory and Compliance Programme Board, which was part of the Portfolio Management Office (PMO). This would provide a governance structure and allow progress to be monitored as a project. The Committee agreed that this was the sensible approach and approved that the actions would not be recorded and tracked in the Internal Tracking Report, but through the PMO.

The Committee commended the contents of the report.

v **SQA's Internal Audit Annual Report 2019-20** Redacted - section 38(1)(b)

██████ presented the report that summarised Scott-Moncrieff's key findings and conclusions from the internal audit work undertaken at SQA during 2019-20.

He went on to highlight that due to timings, the report had been compiled using the draft Data Lifecycle Management audit report. Consequently, there was an error in the recorded control objectives. It was noted that the correct number of issues per grading should be four Grade 3's and three Grade 2's, and that the Annual Report would be updated to reflect this.

In the Internal Audit Opinion, the Committee expressed concern with the narrative regarding the area of Data Lifecycle Management, as it conflicted with the comprehensive narrative of the audit report (A91/7 iv refers). Scott-Moncrieff acknowledged that the narrative tone was disproportionate since it reflected the draft audit report and that the Opinion needed to be revisited. The Committee requested that the revised narrative reflected that SQA had been proactive in seeking to address data governance and data management.

In closing, the Committee noted that Scott-Moncrieff were able to provide reasonable assurance regarding SQA's governance framework, effective and efficient achievements of objectives and the management of key risks.

91/8 **DIGITAL ASSURANCE - SQA CHANGE PROGRAMME**

Established in early 2019 was the Enabling Functions Programme (part of SQA's Change Programme), which was governed by the PMO. The PMO function and related processes and controls had been audited by Scott-Moncrieff. To complement the controls-based approach of internal audit, SQA had invited the Office of the Chief Information Officer (OCIO) to conduct an independent review. A second audit was then performed during November 2019 by the OCIO which had been rebranded as Digital Assurance.

Mr Downie went on to explain the Stage Gate assurance model, with four Gates and five rating levels (from red to green), that the OCIO Assurance team had created. He was pleased to advise that Stage Gate 1 had been assessed at green. Stage Gate 2 was voided as the procurement position had been discussed at Stage Gate 1. Stage Gate 3 had been assessed as amber/green and advice and recommendations from the OCIO had been provided to assist SQA with successful delivery and in closing the Programme of work cleanly (Stage Gate 4).

The Committee requested clarification on the OCIO Assurance team observation highlighting that the SQA Business System team appeared noticeably weary since Stage Gate 1. In response, Mr Downie acknowledged that the team had been stretched because it had tried to deliver using BAU resources, and this was when the dispute with the Trade Union was also going on which compounded the situation. However, several projects have concluded, and lessons had been learned. Going forward we are looking to appoint a new Programme Delivery Head of Service to lead the Programme and allow for the Senior Responsible Owner (SRO) role to be separated therefore helping mitigate this risk in the future. The Committee were pleased to note that there was a robust model with more evenly distributed roles going forward.

Discussion lead to one of the recommendations from the OCIO Assurance team regarding concerns with the communication strategy which would inform colleagues of the successful closure of the Programme. Mr Downie advised that as part of the project support there was an Internal Communications resource who would lead on the strategy.

The Committee welcomed the report and the assurance for the Programme.

91/9 **ANNUAL FRAUD REPORT 2019-20**

As Fraud Response Co-ordinator, Mr Borley, presented the 2019-20 Annual Fraud Report. The Committee noted that there were two instances of potential fraud identified, and as per the Anti-Fraud Policy, all procedures had been carried out appropriately.

A long-running instance had been closed by Police Scotland's Economic Crime Unit, with no further action, due to a lack of evidence recovered by them.

The Committee noted the report.

91/10 **INFORMATION GOVERNANCE ANNUAL REPORT 2019-20**

Mr Borley presented the report that provided the Committee with assurances that information governance was being well managed within SQA.

Clarification was requested regarding why candidates had to receive information on component marks from the school. In response, Mr Borley advised that the procedures in place were for schools to provide this, however, if SQA received a request, there was a legal obligation on SQA to process the request. A review of the current procedures would take place in the future.

As Convenor of the Audit Committee, he was informed of any suspected incidences of fraud irregularities. Regarding Information Security and reportable incidents, he enquired if in addition to this annual report should he, as Convenor, be notified as incidences emerge. In response, Mr Baxter suggested that if any incident was to be reported to the Information Commissioner's Office, then the Convenor of the Audit Committee should also be advised. The Committee endorsed the approach.

The Committee noted the contents of the report and that SQA complied with legislation and had good turnaround times in response to requests for information.

91/11 **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND –INTERIM MANAGEMENT LETTER 2019-20** Redacted - section 38(1)(b)

██████████ presented details from the review that Audit Scotland had conducted to evaluate whether the controls operating within SQA's main financial system were sufficient to allow reliance on forming an opinion on the 2019-20 financial statements.

Overall, the key controls within SQA's main financial systems were operating satisfactorily. SQA had made progress and plans were in place to meet the area's identified that do not meet the requirements.

The Committee welcomed the reassuring report.

Redacted - section 38(1)(b)

91/12 **UNAUDITED ANNUAL REPORT AND ACCOUNTS 2019-20 - SECTION B AND C**

██████████ Senior Accounting Manager, was welcomed to the meeting.

The Committee were reminded following recommendations from Audit Scotland that the unaudited Annual Report and Annual Accounts should be presented to the May meeting, prior to approval of the audited Annual Report and Accounts at the July meeting for remit to the SQA Board in August.

The Annual Report and Accounts are divided into three sections, and the Committee noted that Section A (Performance Report) was discussed at the Performance Committee at its meeting in May.

Mr Baxter reminded the Committee that the situation with the COVID-19 pandemic arose only in the last two-three weeks of the financial year, and that any risks and mitigating actions reflecting the position at that point in time had been included in the report.

Clarification was requested around the increase in Board members expenses. In response, ██████████ advised that a pay settlement that allowed Board members to be reimbursement of the actual expenses they incur, without paying tax, had been concluded last year. SQA had agreed to cover the additional cost of the tax payable in order to maintain the net reimbursement to Board members. The Committee agreed that it would be helpful to include narrative to explain the apparent increase.

The Committee suggested a number of minor changes to Section B and C of the unaudited Annual Report and Annual Accounts 2019-20.

██████████ left the meeting.

91/13 ANY OTHER BUSINESS

2020-21 Internal Audit plan

The Committee discussed the following regarding the Internal Audit Plan 2020-21.

- *Action grid - A90/8 - Internal Audit Activity - SQA and Scott-Moncrieff - Internal Audit Plan 2020-21*

The Committee had agreed that they would consider if they still required further assurance in the IT area following the item on Digital Assurance (A91/8 refers).

The Committee confirmed that the assurance for the Programme provided from the report was adequate, and that the action could be closed.

- *Alternative Certification model for 2020*

Mr Baxter advised that the Scottish Government had instructed SQA to amend the certification process due to the school closures and the absence of actual pupil performance data for Diet 2020. The role of internal and external audit in supporting the decision-making process in the medium term, rather than the immediate term, had been discussed by the SQA Board who agreed that the Audit Committee would consider this further in due course.

Scott-Moncrieff advised that they would be able to provide assurance on any changes to process. Similarly, they could conduct a 'sprint audit' that was a very quick audit that provides rapidly available information that answers a specific question(s).

Reassured that an audit could be conducted at any point, the Committee agreed that the situation should be monitored by EMT.

- *COVID-19 pandemic*

The Committee considered the impact of the pandemic across a range of areas, such as Business Continuity Planning, IT access controls and cyber security with SQA staff working from home and the increased risks of fraud / mischief given increased reliance on email for core processes.

Content that changes could be accommodated to the audit plan throughout the year, the Committee agreed to monitor the impact across SQA during the COVID-19 pandemic.

91/14 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 27 July 2020 at the earlier time of 10am and would be held by Microsoft Teams.