Scottish Qualifications Authority A95/2 i

AUDIT COMMITTEE – 14 JUNE 2021   For approval

Minutes of the ninety-fourth meeting of the Audit Committee held on Monday 15 March 2021 at 10 am by Microsoft Teams.
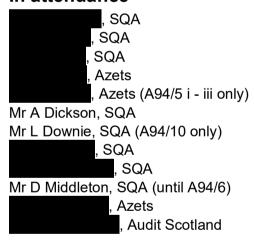
Members

* Mr H McKay (Convenor)
* Ms E Craig
* Ms A Davis
* Dr W Mayne (until A94/9)
* Dr K Thomson

Officers

* Mr M Baxter
* Ms F Robertson
* Dr G Stewart
* indicates present

In attendance

█████████, SQA
█████████, SQA
█████████, SQA
█████████, Azets
█████████, Azets (A94/5 i - iii only)
Mr A Dickson, SQA
Mr L Downie, SQA (A94/10 only)
█████████, SQA
█████████, SQA
Mr D Middleton, SQA (until A94/6)
█████████, Azets
█████████, Audit Scotland

Observer

█████████, Scottish Government

94/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-fourth meeting, including
   Mr Middleton, SQA Chair, █████████ (seconded to the Corporate Office, SQA), Mr █████ Brown and █████████ from Azets and █████████ from Audit Scotland.
A welcome was also extended to █████████ (Sponsorship Team at the Scottish Government) as an observer. It was noted that a representative from the Scottish Government would attend each meeting in this capacity.

The Convenor took the opportunity to advise of some changes in personnel with Audit Scotland's auditors at SQA: ██████████ would be retiring next month (a successor had yet to be appointed) and ████████████ had replaced ████████████.

Apologies for absence were received from Mr Borley, SQA, and Ms Mahmood from Audit Scotland.

It was highlighted that due to other commitments Mr Middleton and Dr Mayne would leave the meeting early.

There were no conflicts of interest declared.

94/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the ninety-third meeting of the Committee held on 2 November 2020 were approved as an accurate record of the meeting.

ii Action Grid

The Committee noted the contents and closure of eight actions recorded in the Action Grid.

iii Workplan

The Committee noted the contents of the workplan.

94/3 MATTERS ARISING

A93/4 iii Workplan – June meeting

It was clarified that there were changes proposed to the 2020-21 Internal Audit Plan later in the meeting (A94/4 i refers) and, if endorsed, would reduce the volume of Azets reports due to the next meeting. Nevertheless, alternative approaches would continue be considered given the overall volume of reports due.

94/4 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

Mr Dickson presented the report that detailed the progress against the 2020-21 Internal Audit Plan. He advised that the KPI had slightly increased from 17% to 22% and this was primarily due to SQA's priorities in response to the COVID-19 pandemic. Nevertheless, progress continued to be made against Management Actions; seven internal audit actions and four external audit actions were closed.

The Committee were mindful of the pressures on SQA staff, and that prioritisation of COVID-19 related work could have contributed to the delay in closing out some Management Actions.

Internal Audit Plan

Following a review of forthcoming internal audits, the Executive Management Team (EMT) proposed changes to the 2020-21 Internal Audit Plan:

Stakeholder Engagement - move the internal audit into the 2021-22 Audit Plan to enable the establishment of the impending Stakeholder Engagement Strategy.

Review of ongoing maintenance and refresh of National Qualifications - move the internal audit into the 2021-24 Audit Plan, given the anticipation that there may be significant change in this area.

The Committee endorsed the two changes to the 2020-21 Internal Audit Plan.

Suppliers

Discussion on COVID-19 related matters led to confirmation that there had been no delays in payments to suppliers and that no SQA staff had been furloughed.

It was highlighted that SQA had provided support to its' suppliers in accordance with both Scottish Government and UK Government guidance.

ii Internal and External Audit Tracker Reports

Internal Audit Tracker Report

A minor error in the report was highlighted to the Committee, with regards to internal audit action 176.1 Travel and expenses. The update had been submitted after Azets had reviewed the report; therefore, should be marked as open and not closed. Evidence would be submitted to Azets for validation and closure for the next meeting.

As previously reported (A94/4 refers), seven internal audit actions had been validated and closed by Azets and the following internal audit actions were covered during discussion:

- *166.2 – 2.2 Policy Review Dates (Payroll internal audit)*

  In response to an enquiry on the revised target date, it was advised that there had been local negotiations with the Trade Unions to consider the 2020-21 Public Sector Pay Policy interim pay award and other local issues specific to SQA, which included SQA's Pay Policy. As a result of a subsequent revision to the policy by the Scottish Government supplementary local negotiations with the Trade Unions would be required.

- *172.2 - 3.1 Succession planning and development needs (Succession Planning internal audit)*

  The Committee noted that successor discussion with EMT had taken place and that discussions with Heads of Service were on-going.

- *174.4 - 1.1 Counter fraud policies (Counter Fraud Arrangements internal audit)*

  The Committee suggested that it would be beneficial for the SQA Board to consider the Whistleblowing Policy in due course, especially as it was part of the suite of policies to support counter fraud arrangements in SQA. This would enable assurance that the processes were in accordance with the counter fraud arrangements section of SQA's Framework document.

In closing, the Committee were content that the Business Systems Directorate had successfully achieved the closure of all internal audit actions within the report.

The Committee noted the contents of the report.

External Audit Tracker Report

- *Information Security aspect of Business Continuity (ISO 27001 Certificate Renewal Report - September 2019)*

  With the recent cyber incident at the University of Highlands and Islands (UHI), and the external audit action RAG status at Red, the Committee enquired about SQA systems.

  In response it was advised that SQA were closely monitoring the situation and an Incident Management Team would be invoked if necessary. As a precautionary measure a temporary quarantine on all incoming emails from UHI had been established to ensure SQA systems remained secure.

  It was highlighted that Mr Downie, Director of Business Systems, would be joining the meeting later, and the Committee agreed that it would be beneficial to continue discussion around cyber security then (A94/10 refers).

  The Committee noted the contents of the report.

94/5 INTERNAL AUDIT ACTIVITY - AZETS

Welcomed to the meeting from Azets was ███████████, Senior Manager, Business Technology Consulting.

i Follow Up Report Q3 2020-21

████████ presented the report for the period October 2020 to February 2021, which detailed the status of actions that had been assessed as closed by SQA and Aztec's validation of those.

Sufficient evidence had been received to validate and close seven actions. The number of open actions had decreased from twelve to eleven, and SQA continued to make good progress, particularly with actively addressing actions.

The Committee noted the contents of the report.

ii Internal Audit Progress Report

████████ presented a summary of internal audit activity since the last meeting to the end of February 2021 and advised that two reviews had been completed against the 2020-21 Internal Audit Plan.

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

iii Internal Audit Report – Payroll

████████ presented the report that reviewed data analytics on key payroll data and processes to identify any anomalies and exceptions that could be investigated to provide further substantive assurance over the effective operation of the controls.

A positive report with robust and efficient controls in place with several areas of good practice identified. One improvement action was identified in relation to SQA's employee ████████ data which related to compliance with existing procedures, rather than the design of controls. During discussion, various aspects of the findings were covered.

In response to an enquiry around the postponement of Appointees migration onto ███████████ it was explained that an issue in generating the full payment file due to the size had been identified. Work to resolve this was underway and it was anticipated that the migration would take place later in the year. The Committee welcomed that a secondary review of the analytics tests by Azets would be performed to support the Appointees migration.

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

███████ left the meeting.

94/62021-22 QUARTER 3 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

To support SQA's Risk, Opportunity, and Issues Management Policy further maturity of the risk management approach within SQA had been taken, with a focus on improving awareness and the understanding of risk management. This included the establishment of a Risk and Opportunities Management Group with representatives from across the organisation to ensure compliance to the Policy, provide a forum for continuous improvement of risk management activity, review the draft Corporate Risk Register (CRR) and the quarterly Risks, Opportunities and Issues (ROI) report.

██████ explained in detail the outcomes of the inaugural meeting of the group that had reviewed the Q3 CRR and ROI reports. She went on to present the current status of the CRR and the proposals on some risks from EMT since the last meeting.

♦ 15CRR32R - Risk was associated with the COVID-19 pandemic restrictions and/or Government advice that may impact on availability of appointees to support the Awarding Programme.

  Given that the quality assurance timelines for appointees had been confirmed and no impact on delivery was anticipated EMT proposed to reduce the Post Score 'I' to 25 which changed the risk ranking from Red to Amber.

  The Committee endorsed the risk reduction.

♦ 14CRR14R - Risk was associated with the inability to fully understand product development and operational costs and profitability of activities.

  The consequences of the risk had been reviewed and EMT proposed to assign 'P' at three and 'I' at ten for the Post Score, resulting in a change in the risk rating from Green to Amber.

  The Committee endorsed the risk increase.

♦ 17CRR37R - Risk was associated with the lack of robust resilience or a proven disaster recovery solution in mission critical services.

  Actions had been taken to mitigate the risk and EMT proposed to reduce the Post Score 'P' to two and the 'I' to 25. The reduction would change the risk rating from Red to Amber.

  The Committee endorsed the risk decrease.

♦ 20CRR43R - Risk was associated with the failure to issue complete results by 4 August 2021.

EMT proposed to remove the risk as it had been reviewed and deemed not appropriate given there was additional statistical resource which would be sufficient to meet current needs.

The Committee endorsed removal of the risk.

♦ 20CRR44R - Risk was associated with COVID disruptions on SQA's business as usual activity.

Risk has been reviewed and EMT proposed the addition of new SMART actions and to increase the Post Score 'I' to 25, resulting in the risk ranking changing from Amber to Red.

The Committee were mindful that SQA were taking all necessary mitigating actions given the current constraints and were reassured that management were closely monitoring the situation.

The Committee endorsed the risk increase.

♦ 20CRR48R - Risk was associated with high demand due to alternative approaches to certification in terms of scalability of the ███████ system is not fit for purpose.

EMT proposed to remove the risk as there was no longer plans in place that involved the use of ███████ as a way of delivering results to all NQ candidates.

The Committee endorsed remove of the risk.

♦ 20CRR49R - Risk was associated with current systems that would be unable to be modified in an effective way to ensure the delivery of the Alternative Certification Model (ACM) for 2021.

Given the experience of implementing ACM 2020, solutions for the ACM 2021 would be broadly similar. EMT therefore proposed to reduce the Post Score 'I' to ten, resulting in the risk ranking changing from Red to Amber.

The Committee endorsed the risk decrease.

♦ 20CRR50R - Risk was associated with data sets and data flows that could be incomplete due to the 2021 ACM not following all previous process steps in the end-to-end Main diet process.

Similarly, to the previous risk, SQA had experience of implementing a fit-for-purpose product in 2020, therefore, EMT proposed to reduce the Post Score 'I' to ten, resulting in the risk ranking changing from Red to Amber.

The Committee endorsed the risk decrease.

♦ 20CRR52R - New risk

EMT proposed to add a new risk in relation to EU Exit given that at the end of the transition period there was not an agreed trade deal or associated adequacy decision.

The Committee endorsed the addition of the new risk.

♦ 20CRR53 - New risk

EMT proposed to add a new risk in relation to centres seeking release of appointees that could impact on 2021 certification date.

It was clarified that the risk ranking was Red to highlight the significance of the risk particularly as the position on Appeals had yet to be finalised.

The Committee endorsed the addition of the new risk.

The Committee scrutinised the CRR and during discussion, the following risks were covered:

- Risk 14CRR20R - The risk was associated with a major incident, internal or external, affecting ability to operate and deliver.

  In response to an enquiry around training it was explained that there was an ongoing training and awareness programme to raise staff understanding of business continuity and how it was applied in SQA.

- 15CRR29R - Risk was associated with SQA unable to recruit and retain key staff.

  The Committee enquired if marketing supplements, particularly within the Business Systems Directorate, were reviewed. In response it was advised that this was regularly reviewed, and long-term solutions continued to be investigated.

  In closing, the Committee commented on the progress of SQA's continuing journey towards increased transparency and governance within risk management.

  Mr Middleton left the meeting.

94/7 ASSURANCE MAP

The Committee were reminded that following a review of the existing assurance mechanisms, some initial changes were proposed to SQA's Assurance Map. Following consideration at the last meeting, it was agreed to further refine the Assurance Map, and the proposed changes were presented in detail.

The Assurance Map was explained in detail, and in the ensuing discussion, the Committee:

> Welcomed that assurance resource, risk and internal controls had been aligned to ensure that there was no duplication or too much assurance in any area, whilst also identifying assurance gaps.
>
> Noted that the Assurance Map had supported the development of the Internal Audit Plan 2021-24.
>
> Acknowledged that the rating of the customer/stakeholder area had been expected as management were aware that further work was required in this area. Internal audits had been identified in the Internal Audit Plan that would strengthen assurance in this area.
>
> Agreed the importance of the Assurance Map to enable assurance to be provided to the SQA Board.
>
> Reiterated that the Assurance Map should be seen as a working document and remain on the workplan for annual review.

███████ took the opportunity to highlight that although the processes were not fully refined, within their client base, SQA was one of the most mature.

The Committee approved the refinements to the Assurance Map.

94/8 INTERNAL AUDIT ACTIVITY – SQA AND AZETS – INTERNAL AUDIT PLAN
2021-24

Presented to the Committee was the internal audit plan for the three-year period 2021 to 2024; a proposed plan for 2021-22 and an indicative schedule of audits for the subsequent two years, which would be reviewed annually.

The Committee welcomed that the internal audit plan had been developed following an audit needs analysis and, in conjunction with EMT, cross-referenced to SQA's CRR and Assurance Map. It was highlighted that SQA's External Auditors, Audit Scotland, had also

provided input. It was clarified that in terms of the Assurance Map during internal audits Azets would be reflecting / testing on Level 1 and 2 assurance mechanisms.

Considering the audit areas for review across SQA, the Committee acknowledged an even spread across each area of the audit universe.

During discussion it was clarified that to ensure best value the internal audit plan would be reviewed on the successful recruitment to the two new Director posts, and any internal audits related to the new Directorates would be transferred appropriately from the other Directorates. If appropriate, any changes to the internal audit plan would be proposed to the Committee.

The Committee was content to approve SQA's Internal audit plan 2021-24, noting that the plan was subject to change according to changes in business requirements and priorities.

94/9 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND – ANNUAL AUDIT PLAN 2020-21

█████████ presented in detail the Annual Audit Plan 2020-21 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, and the intended approach to issues impacting SQA's activities during that period.

The Convenor took the opportunity to acknowledge █████████ retirement and the valuable contribution, commitment and engagement he had provided to the Committee and SQA colleagues. In response █████████ closed with thanks for all the support and diligence during his appointment as SQA's external auditor.

The Committee noted Audit Scotland's Annual Audit Plan 2020-21.

Dr Mayne left the meeting.

94/10 DIGITAL ASSURANCE - ENABLING FUNCTIONS PROGRAMME

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

Mr Downie, as Executive Sponsor of the Enabling Functions Programme, advised that the Digital Assurance Office (formerly the OCIO - Office of the Chief Information Officer) at the Scottish Government had concluded the Stage Gate reviews for the Programme, with SQA submitting a closure report in December 2020. SQA's Portfolio Board had formally approved the closure report on 23 February 2021. The Digital Assurance Office had provided positive feedback on how well SQA had performed throughout the delivery.

The Committee considered the executive summary report and was pleased to note that all actions had been closed and commended the collaborative effort by everyone in SQA for the success of the Programme.

Cyber security

Linking back to the previous discussion around the recent cyber incident at UHI (A94/4 ii refers), the Committee was assured that security remained paramount to SQA. Cyber security and internal controls had been modified and improved and SQA were also working within the Scottish Government's Cyber Resilience Framework.

The Committee were also reminded that they had previously approved the proposal from EMT for Azets to undertake an internal audit in the area of Cyber Security arrangements to ensure that SQA had effective cyber security risk management and governance

arrangements in place. It was highlighted that the fieldwork had been completed and it was anticipated that the report would be presented to the next meeting.

Mr Downie left the meeting.

94/11 NATIONAL FRAUD INITIATIVE 2020-21 EXERCISE

The Committee noted that all investigations for the 2020-21 exercise had been concluded and cleared on all matches identified, with a further update to the Committee to follow in due course.

94/12 ANY OTHER BUSINESS

Investigations

The Committee were advised of a potential irregularity around the identification of malware software. Mitigating actions had been put in place, including Azets undertaking a review to ensure that there were no areas of concern around the data analytics.

Previously reported to the Committee was an identified instance of suspected fraud that had resulted from unauthorised expenditure. SQA had now fully recovered the funds with no loss to SQA, and this concluded the investigation.

94/13 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 14 June 2021 at 10am via MSTeams.

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 EMT 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.

Corporate Office   **9**   **Audit Committee**
14 June 2021   **Minutes of the Audit Committee meeting held on 15**
March 2021