SCOTTISH QUALIFICATIONS AUTHORITY   A96/2 i

AUDIT COMMITTEE – 16 AUGUST 2021   For approval

Minutes of the ninety-fifth meeting of the Audit Committee held on Monday 14 June 2021 at 10 am by Microsoft Teams.

Members

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

Officers

* Mr M Baxter
* Ms F Robertson
  Dr G Stewart

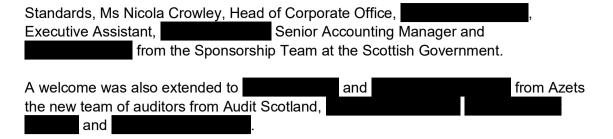* indicates present

In attendance

Ms B Black, SQA
Ms J Blair, SQA (A95/5 only)
██████████, SQA
██████████, SQA
██████████ Azets
Ms N Crowley, SQA
Mr A Dickson, SQA
Mr L Downie, SQA (A95/5 only)
██████████, SQA
██████████, SQA
██████████ Audit Scotland
██████████, Azets (A95/1–A95/5 only)
██████████, SQA
██████████, SQA
██████████, Audit Scotland
██████████, SQA
Mr D Middleton, SQA
██████████, Azets (A95/1–A95/5 only)
██████████ Audit Scotland

Observer

██████████ Scottish Government

95/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-fifth meeting, in particular Mr David Middleton, SQA Chair, Ms Beth Black, Director of Policy, Analysis and

Standards, Ms Nicola Crowley, Head of Corporate Office, ████████████, Executive Assistant, ███████████ Senior Accounting Manager and ███████████ from the Sponsorship Team at the Scottish Government.

A welcome was also extended to ███████████ and ███████████ from Azets the new team of auditors from Audit Scotland, ███████████ ███████████ ██████ and ███████████.

Apologies for absence were received from Dr Stewart.

There were no conflicts of interest declared.

95/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the ninety-fourth meeting of the Committee held on 15 March 2021 were approved as an accurate record of the meeting.

ii Action Grid

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

iii Workplan

The Committee noted the contents of the workplan.

95/3 MATTERS ARISING

There were no matters arising.

95/4 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

Mr Dickson presented the report that detailed the progress against the Internal Audit Plans: 2020-21 - All audits were completed and 2021-22 - Assignment Plans for all audits in the plan had been developed and were currently being agreed with Directors.

He went on to advise that the KPI had increased from 22% to 29% and this was primarily due to SQA's priorities in response to the COVID-19 pandemic over the past year. Nevertheless, progress continued to be made against Management Actions; four internal audit actions and two external audit actions were closed. It was highlighted that there was a considerably higher number of actions closed during 2020-21 than the previous year, and that the KPI was against a rolling twelve-month period.

The Committee were mindful of the pressures on SQA staff, and that prioritisation of COVID-19 related work contributed to the delay in closing out some Management Actions. Discission then led to the possibility of only focusing on Grade 3 and 4 internal audit actions or pausing the internal audit plan to enable a

catch-up and closure of some actions. ███████ took the opportunity to advise that similar discussions had taken place with his other clients and reminded the Committee that the internal audit actions were graded to enable management to prioritise when resources were stretched. The number of internal audit actions were below ten for a consistent period and SQA remained in a good position for closing out actions.

In closing, the Committee was reassured that management was dedicated to continue to address all internal audit actions.

ii   **Internal and External Audit Tracker Reports**

As previously reported (A95/4 refers), four internal audit actions had been validated and closed by Azets and two external audit actions were closed.

In response to an observation on several of the internal audit actions related to people aspects and how SQA was supporting staff, the Committee was reassured that the Executive Management Teams (EMT's) priority continued to be the health and wellbeing of the staff.

The Committee noted the contents of the reports.

iii   **ISO 9001 Surveillance Report**

Mr Baxter presented details of the surveillance visit that had been conducted on 15-16 March 2021, to ensure that compliance with existing certification to the management system standard had been maintained.

Two minor non-conformities (NCs) from previous visits were closed, and no new minor NCs were identified. The assessor determined that the requirements of ISO 9001 were met, and continued certification was recommended.

The Committee noted the contents of the report.

iv   **Audit Scotland National Reports**

███████ provided an overview of SQA's activity and responses to reports published between October 2020 to April 2021. During the period, eleven reports were identified and reviewed by EMT, with seven proceeding to relevant Directorates for further review. Following this, no further action was required for six of these.

Discussion around the benefit of reviewing Audit Scotland National Reports took place given the large number that were produced, and 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.

In closing, the Convenor reminded the Committee that the bi-annual report provided assurance that the appropriate Audit Scotland National Reports were targeted for review by SQA.

The Committee noted the contents of the report.

<table>
<tr><td>v</td><td>**SQA's Internal Audit Annual Report for year ending 31 March 2021**</td></tr>
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    v   **SQA's Internal Audit Annual Report for year ending 31 March 2021**

Mr Dickson 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 2021. A total of 64 Management Actions had been implemented to strengthen SQA's controls further.

During discussion it was highlighted that the appointment term of the external auditors did not reflect the recent agreed extension date and three internal audit actions, from the recent Corporate Governance audit had not been included. It was agreed that since there were no implications with the amendments the report would not be re-circulated.

The Committee noted the report.

Welcomed to the meeting was Ms Jean Blair, Director of Operations, and Mr Lee Downie, Director of Business Systems.

95/5 INTERNAL AUDIT ACTIVITY - AZETS

    i   **Follow Up Report Q4 2020-21**

██████████ presented the report for the period February to May 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 four actions. The number of open actions had decreased from eleven to eight, 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 May 2021 and advised that the 2020-21 Internal Audit Plan had been completed following the last four reviews. Work on the 2021-22 Internal Audit Plan was underway.

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

    iii   **Internal Audit Report – Cyber Security – Risk and Governance Framework**

██████ presented the report that sought to gain assurance that SQA had effective cyber security risk management and governance arrangements in place.

The report revealed good practice in a number of areas, with several activities underway including implementation of various technical controls to identify and manage cyber security risks. ████████████████████████████████
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Redacted – section 35(1)(a)

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

iv   Internal Audit Report – Corporate Governance

[black redaction] presented the report that reviewed levels of compliance with best practice guidance, including the Scottish Public Finance Manual and Scottish Government's on Board guidance. Additionally, the relationship between the SQA Board and its Committees and the communication lines between them was also reviewed.

Overall, a positive report with robust and efficient controls in place. Several areas of good practice and three improvement actions were identified that would allow SQA to strengthen further the control framework.

It was highlighted that there was an error in the date of approval by the SQA Board for the Remuneration Committee's Standing Orders and it was agreed this would be rectified. It was agreed that since there were no implications on the internal audit actions the report would not be re-circulated.

v   Internal Audit Report – Review of Centre pre-approval and approval processes

[black redaction] presented the report that reviewed the processes for on-boarding centres including pre-approval due diligence of financial and reputational risk, through to centre approval.

Overall, generally robust and effective controls were 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 strengthen further the control framework.

Ms Blair highlighted that both the internal audit actions had been completed and the new procedures put in place had been well received since implementation; Evidence would be submitted to Azets for validation and closure for the next meeting.

The Committee noted the contents of the report.

vi   Internal Audit Report – Internal Audit Annual Report 2020-21

████████ presented the report that summarised Azets key findings and conclusions from the internal audit work undertaken at SQA during 2020-21.

The Committee commented that Azets were able to provide reasonable assurance regarding SQA's governance framework, effective and efficient achievements of objectives and the management of key risks, whilst noting that management had actions in hand to address and improve specific aspects of governance relating to counter fraud arrangements and cyber security identified within reports presented in year.

Ms Blair, Mr Downie, ████████ and ████████ left the meeting.

95/6 2021-22 Q4 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

████████ presented in detail the outcomes of the Risk and Opportunities Management Group that had reviewed the Q4 Corporate Risk Register (CRR) and the quarterly Risks, Opportunities and Issues (ROI) report. She went on to present the current status of the CRR, following EMT's review and the proposals on some risks since the last meeting.

- *Risk 14CRR23R - Risk was associated with remote working during the COVID-19 lockdown and the possibility of not being able to keep in-touch and engaged with the workforce.*

    EMT continued to monitor Public Health advice, Scottish Government and Public Sector bodies activities relating to COVID-19 pandemic. Additionally, engagement with SQA colleagues continued on a regular basis, therefore it was proposed to accept the risk.

    It was explained that the proposal to accept the risk did not mean that the risk would be disregarded, as controls were in place and continued to work, it would be transferred for oversight to an area where it fitted and would be kept under review and re-assessed against the prevailing risk appetite. The Committee was assured that the risk would continue to be monitored and managed.

    The Committee endorsed the risk acceptance.

- *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.*

Final position on appointee responses had been confirmed with no issues and it was proposed to terminate the risk.

The Committee endorsed the removal of the risk from the CRR.

- *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, including in relation to resilience and a disaster recovery solution in mission critical services and it was proposed to terminate the risk.

The Committee endorsed the removal of the risk from the CRR.

- *20CRR53 - Risk was associated with centres seeking release of appointees that could impact on 2021 certification date.*

All appointees release had been confirmed and it was proposed to terminate the risk.

The Committee endorsed the removal of the risk from the CRR.

- *21CRR54I - New issue*

It was proposed to add this new issue in relation to failure to comply with SQA's

Public Sector Equality Duty which may lead to Equality and Human Rights Commission enforcement.

The Committee endorsed the addition of the new issue to the CRR.

- *21CRR55I - New issue*

Candidate Disclosure of Assessment materials that include SQA secure assessment resources had impacted on the work of a number of teams. It was explained that although this was a time limited issue which would be removed post provisional results date, it was proposed to add this new issue.

The Committee endorsed the addition of the new issue to the CRR.

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

- *14CRR18R - Risk was associated with external factors or decisions that impact on SQA activities and / or operating model for 2021 and beyond.*

It was highlighted that due to the lead in time to produce and finalise papers for the Committee, the CRR had been accurate at that stage. The risk would

be reviewed to reflect the publication of the impending publication of the OECD report and any consequences that flowed from this.

On behalf of Audit Scotland, ▮▮▮▮▮▮▮ took the opportunity to concur that the risk should be reviewed to reflect the impending report and any subsequent announcements.

In closing, the Committee requested the inclusion of a key to describe the different terminology used for each risk proposal.

95/7 ANNUAL FRAUD REPORT 2020-21

Mr Baxter presented the Annual Fraud Report which highlighted no new frauds notified in 2020-21. The Committee noted the report.

95/8 INFORMATION GOVERNANCE ANNUAL REPORT 2020-21

Mr Baxter presented the report that provided the Committee with assurances that information governance had been well managed within SQA during 2020-21. During discussion, the Committee:

Noted that although the number of FoI requests received was a significant decrease on the previous year, the scale and complexity of individual requests had increased.

Welcomed the introduction of a disclosure log to demonstrate openness and transparency in respect of the information SQA hold.

Noted that the decrease in the number of security incidents reported was partly attributed to the change to the 2020 Alternative Certification Model as some processes where incidents could occur, were not deployed (including Post Certification Review).

Suggested that the narrative in the conclusion should be reviewed to clarify the excellent turnaround times related to all requests for information, not just FoI requests.

The Committee noted the contents of the report and that SQA had complied with legislation.

95/9 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND – INTERIM MANAGEMENT LETTER 2020-21

▮▮▮▮▮▮▮ explained the changes made by the Auditor General, following the retirement of ▮▮▮▮▮▮▮ and thanked those involved during the induction of the new external auditor team from Audit Scotland.

He went on to present the 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 2020-21 financial statements. Overall, the key controls within SQA's main financial systems were operating satisfactorily.

Discussion led to one of the identified risks related to a Christmas fund that SQA operated that allows employees to save through making voluntary salary deductions. To mitigate the risk, and on the recommendation of Audit Scotland's 2019-20 report a separate bank account would be used to hold the staff funds; it was explained that due to the pandemic, there had been a delay in setting up the account, but it was anticipated that it would be completed in the next few weeks. Given that Audit Scotland's 2020-21 report recommendation was that SQA end the arrangement, the Committee was assured that there were strong internal controls in place to mitigate any potential errors in financial reporting. It was explained to the Committee that the arrangements had been in place for over twenty years and management would undertake benchmarking with other organisations before deciding whether to accept the recommendation and end the arrangements. The Committee were content with the assurances that management had the appropriate controls in place and endorsed the planned benchmarking exercise before a decision was made.

Oliphant reminded the Committee that Audit Scotland, as SQA's external auditors, was to provide management with an independent view and identify any risks for them to consider.

In closing, and on behalf of Audit Scotland, ████████, thanked the SQA team for the professionalism in undertaken all the necessary work remotely as a result of the pandemic.

The Committee noted Audit Scotland's Interim Management Letter 2020-21.

95/10 UNAUDITED ANNUAL REPORT & ACCOUNTS 2020-21: SECTION B AND C

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 August meeting for remit to the SQA Board in September.

Mr Baxter reminded the Committee that the Annual Report and Accounts were divided into three sections, and it was noted that Section A (Performance Report) was discussed at the Performance Committee at its meeting in May. He went on to provide an overview of the draft Section B (Accountability Report) and Section C (the unaudited Annual Accounts 2020-21). It was highlighted that narrative would be included in the report on the OCED report and the Scottish Government announcement to accept all recommendations from the report.

The Committee suggested a number of minor changes to Section B and C of the unaudited Annual Report and Annual Accounts 2020-21.

95/11 ANY OTHER BUSINESS

There was no further business raised.

95/12 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 16 August 2021 at 10am via MS Teams.