

SCOTTISH QUALIFICATIONS AUTHORITY

A98/2 i

AUDIT COMMITTEE – 14 MARCH 2022

For approval

Minutes of the ninety-seventh meeting of the Audit Committee held on Monday
1 November 2021 at 10 am by Microsoft Teams.

Members

- * Mr H McKay (Convenor)
- Ms E Craig
- Ms A Davis
- Dr W Mayne
- * Dr K Thomson (A97/5 onwards)

Officers

- * Mr M Baxter
- * Ms F Robertson
- Dr G Stewart

* indicates present

In attendance

Mr J Booth, SQA (A97/5 only)
[REDACTED], SQA
[REDACTED], SQA
[REDACTED], Azets (until A97/9)

Mr A Dickson, SQA

Mr L Downie, SQA (A97/5 only)
[REDACTED], SQA
[REDACTED], SQA
[REDACTED], Audit Scotland
[REDACTED], Azets (until A97/9)

Mr D Middleton, SQA
[REDACTED], Azets (until A97/9)
[REDACTED], Azets (until A97/9)

Observer

[REDACTED], Scottish Government

97/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-seventh meeting, including Mr David Middleton, SQA Chair, [REDACTED] from Audit Scotland and from Azets, [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

A welcome was also extended to [REDACTED] from the Sponsorship Team at the Scottish Government.

Apologies for absence were received from Ms Craig, Ms Davis, Dr Mayne, Dr Stewart and Ms Crowley.

It was explained that due to the number of member apologies the SQA Chair, as a non-executive member of the SQA Board, would stand-in as a member of the Committee to enable the necessary quorum for the meeting, as per the Standing Orders.

It was noted that due to technical issues Dr Thomson would join the meeting late.

There were no conflicts of interest declared.

97/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The approval of the minutes was deferred until Dr Thomson joined the meeting (after A97/4 iii refers).

ii Action Grid

The Committee noted the closure of the three actions recorded.

iii Workplan

The Committee noted the contents of the workplan.

97/3 MATTERS ARISING

There were no matters arising.

97/4 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

Mr Dickson presented the report that detailed the progress against the 2021-22 Audit Plan advising that progress remained at amber, and that the KPI had decreased from 33% to 28%. Progress continued to be made, with five internal audit actions validated and closed by Azets.

The Committee were requested to be mindful that following the presentation of the audit reports later in the meeting several internal audit actions would be added to the tracker, and it was anticipated a higher KPI was likely to continue into the next few quarters given this and the lagging nature of the KPI.

It was noted that procurement of 2022 - 2025 internal audit services had commenced. The Convenor highlighted that Azets were not part of the Scottish Government's Procurement Framework for internal audit services, and therefore were unable to bid for the contract.

In closing, the Committee was reassured that management was dedicated to continuing to address all internal audit actions despite already pressured resources.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

As previously reported (A97/4 refers), five internal audit actions had been validated and closed by Azets. It was anticipated that three of the previously missed High Risk actions would be completed by the year end, with evidence being submitted to Azerts for validation and closure for the next meeting.

The Committee noted the contents of the report.

External Audit Tracker Report

Six external audit actions remained on track, and it was highlighted that following the LRQA visit at the end of last month four external audit actions were formally closed; the LRQA report would be presented to the next meeting.

The Committee noted the contents of the report.

iii **Audit Scotland National Reports**

██████████ provided an overview of SQA's activity and responses to Audit Scotland National Reports published between May to September 2021. During the period, ten reports were identified and reviewed by EMT, with seven proceeding to relevant Directorates for further review.

In closing, ██████████ was pleased to note that the appropriate Audit Scotland National Reports for SQA were targeted for review.

The Committee noted the contents of the report.

Dr Thomson joined the meeting.

97/2 MINUTES OF THE PREVIOUS MEETING

i **Approval of minutes from previous meeting**

The minutes of the ninety-sixth meeting of the Committee held on 16 August 2021 were approved as an accurate record of the meeting.

Welcomed to the meeting was Mr John Booth, Director of Communications and Mr Lee Downie, Director of Business Systems.

97/5 INTERNAL AUDIT ACTIVITY - AZETS

██████████ took the opportunity to advise that he would be undertaking a part-time seconded role out with Azets, and this would be his last meeting. ██████████ would lead on SQA's internal audit services contract.

i **Follow Up Report Q1 2021-22**

██████████ presented the report for the period July to October 2021, which validated the previous two reports (A95/4 i and ii). Sufficient evidence had been received to validate and close five actions, the number of open actions had decreased from 16 to 15 and overdue actions had remained at seven.

Discussion took place around the overdue actions and [REDACTED] highlighted that these had remained below ten for a consistent period, including throughout the course of the pandemic. As SQA management were actively addressing all actions there was no concerns from Azerts on these, or any internal audit actions.

The Committee noted the contents of the report.

ii **Internal Audit Progress Report**

[REDACTED] presented a summary of internal audit activity since the last meeting to the end of October 2021 and advised that five reviews had been completed against the 2021-22 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 - Operational Planning**

[REDACTED] presented the report that reviewed the development, communication and monitoring of operational plans.

A positive report with effective controls in place, with areas of good practice identified, particularly the development of an operational planning tool to record objectives, outcomes and performance indicators, in line with SQA's strategic objectives. Some opportunities for improvement were identified that would support improvement to the operational planning arrangements in SQA.

In the ensuing discussion it was clarified that SQA's operational plans reflect the current organisational context and business plans had taken stock of the June announcement from the Scottish Government of the Muir Review and SQA's replacement. The recent announcement on the review of National Qualifications would also be taken into account and the Committee was assured that if further changes were required to the business plans, SQA would continue to revise appropriately, whilst continuing to meet all statutory obligations.

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

iv **Internal Audit Report – Stakeholder Engagement**

[REDACTED] presented the report that reviewed the arrangements in place for identifying stakeholders and determining the engagement required, including the arrangements for recording and monitoring engagement activities, implementing improvements and assessing the achievement of key metrics.

The report identified that SQA had developed effective arrangements for identifying stakeholders and determining, and getting feedback on, the levels of engagement required with them. Several areas of good practice and three minor opportunities for improvement were identified that would allow SQA to strengthen further the control framework.

Discussion took place around the annual customer satisfaction survey, that was administered by an external research consultancy, Ashbrook, on SQA's behalf. It was clarified that the research consisted of a series of core questions, supplemented with a smaller number of topical questions. The 2020 survey included a range of ad hoc questions addressing COVID-19 and fieldwork for 2021 would be due to commence shortly (with appropriate topical questions). Given SQA's current context discussions were ongoing to supplement the annual survey with pulse surveys to track engagement levels and drivers of engagement.

Acknowledging that considerable work had already been taken to improve the way that SQA engage and communicate with its stakeholders, the Committee recognised that it was challenging for SQA given the wider debate on education matters within Scotland. Mr Booth took the opportunity to advise that recruitment would commence shortly to strengthen stakeholder engagement capacity within the Communications Directorate, and this was welcomed by the Committee.

Encouraged by the assurance provided by the findings, the Committee noted the contents of the report.

v **Internal Audit Report – ISO27001 – IT Controls**

██████████ presented the findings of the review that assessed the extent of compliance with the specific IT control measures set out in the ISO27001 standard based on the 2013 edition of the standard. A number of areas where work was required to ensure continued compliance with the standard were identified, with none considered high risk.

The Committee considered whether risk rating of the finding around the active user accounts was appropriate. ██████████ clarified that the finding had identified a disconnect between the policy and the implementation of it which resulted in the disabling and deletion of user accounts not being fully actioned. A relatively low number of users had been identified and he confirmed that none were for privileged accounts. The Committee noted that mitigation actions were underway to tighten controls and ensure compliance.

Discussion led to the increase in cyber-attacks across the globe and the Committee sought assurance that penetration testing was actively undertaken in SQA. The Committee was assured that security remained paramount to SQA and that the finding in the report related to housekeeping of the policy. There were effective controls in place, penetration tests and the resolution of high and critical findings were mandate prior to new systems going live. Additionally, SQA were active in threat intelligence sharing forums, including membership of the National Cyber Security Centre's Cyber Security information sharing platform which advises SQA of recent threats and attacks in similar sectors.

██████████ took the opportunity to highlight that one of the recently published independent audits on the December 2020 cyber-attack against the Scottish Environment Protection Agency (SEPA) had been undertaken by Azets. SEPA had been open and transparent on the cyber-attack to allow others to learn from their experience to help better protect themselves from cyber-crime.

The independent audits had identified a series of learnings for Scotland's public sector and SQA were encouraged to review these.

In closing, Mr Downie took the opportunity to advise that he was encouraged by the findings and that the review had demonstrated the steady progress over the past two years to ensure compliance with the specific IT control measures.

vi **Internal Audit Report – Appeals 2021**

██████████ presented the report that reviewed the development of the 2021 appeals process, including the implementation of lessons learned.

A positive report with well-designed and efficient controls in place, with several areas of good practice identified. One minor opportunity for improvement was identified that would allow SQA to strengthen further the control framework.

The Committee commended the rigorous approach by SQA to achieved success in developing and implementing the 2021 Appeals Model in extremely challenging circumstances. Encouraged by the assurance provided by the findings, the Committee noted the contents of the report.

Mr Booth and Mr Downie left the meeting.

97/6 2021-22 Q2 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

██████████ presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q2 Corporate Risk Register (CRR) and quarterly Risks, Opportunities and Issues (ROI) report. It was noted that the risks and opportunities around SQA's Review would be incorporated into the next report, and this was welcomed by the Committee. Although SQA's overall risk profile remained high it was consistent with the challenging circumstances the organisation faced.

She went on to present the current status of the CRR that had been reviewed by the Risk and Opportunities Group and then endorsed by the Executive Management Team (EMT), including proposals on some risks since the last meeting.

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

It was proposed to terminate the risk in response to the announcement that SQA would be replaced. A new risk would be proposed later (Risk 21CRR60R refers) regarding reputation which would supersede this risk.

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

- *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.*

It was proposed to reduce the Post Score 'P' from a two to one, changing the risk rating from amber to yellow as a result of provisional Results & Certification and Appeals all delivered with minimum change to core systems.

The Committee endorsed the risk Post Score 'P' reduction.

- *Risk 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.*

It was proposed to reduce the Post Score 'P' from a two to one, changing the risk rating from amber to yellow following a successful delivery Certification. All system changes were delivered and tested with minimum change.

The Committee endorsed the risk Post Score 'P' reduction.

- *Risk 20CRR51R - Risk was associated with lack of public confidence in the 2021 awarding arrangements.*

The main risk had passed, with the greater risks related to Awarding 2022, therefore it as proposed to de-escalate the risk to be monitored and managed on the appropriate Directorate ROI register.

The Committee endorsed the de-escalation of the risk from the CRR.

- *Issue 21CRR55I - Issue was associated with the development of cross organisational procedures to manage disclosure enquiries and Candidate disclosure of secure Question Paper content.*

The project was complete, and the issue was no longer live, therefore it was proposed to terminate the risk.

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

- *Risk 21CRR59R - Escalation*

It was proposed to escalate the risk to the CRR due to the possibility that SQA may no longer be able to use the APS Operating System and application layers relating to ongoing upgrades, compatibility issues and reliance on legacy systems.

The Committee endorsed the escalation of the risk to the CRR.

- *Risk 21CRR60R - New risk*

It was proposed to add the new risk around external factors or decisions that could impact SQA awarding activities for national qualifications for 2022 and beyond.

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

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

- *Risk 21CRR56R - Risk was associated with the Scottish Government's announcement to replace SQA and the impact this could have on retaining and recruiting key talent.*

It was clarified that there was no change from the Pre-Score ratings to the Post Score rating given the continued uncertainty of job security for SQA staff, despite the continued engagement with the Scottish Government.

The Committee noted that mitigation of the risk was not entirely in SQA's control.

A discussion on scoring ensued and the Committee suggested that when there was no change from Pre-Score to Post Score it would be helpful to include narrative to explain the rationale. The Committee was assured that the Risk and Opportunities Group systematically review all scorings, which were then endorsed by EMT.

It was highlighted that SQA had a more developed and robust risk management processes compared to others within Azets client base. ██████████ suggested that within SQA's Risk, Opportunity and Issues Management Policy the process for escalating risks and issues to the SQA Board could be strengthened. Although the current risk management process operated as designed, the Committee agreed that it would be worth pursuing particularly with the unique circumstances facing SQA and the current high-risk profile.

97/7 2022-23 PERFORMANCE FRAMEWORK AND BUSINESS PLAN

The Committee were reminded that SQA published a corporate plan in 2020-21 covering the three-year period to March 2023, with deliverables for the Corporate Performance Framework and business plan agreed annually. A full review of the deliverables, including a reflection on the challenges and priorities for SQA, in the 2021-22 business plan had been undertaken, following the Scottish Government announcement, the Education Reform and the publication of the OECD report on Curriculum for Excellence that had emerged since March 2020.

In accordance with standard practice, development for the 2022-23 business plan had commenced and the Committee was assured that SQA would continue to operate and meet its statutory duties, and that the deliverables in the 'Perform' category of the Performance Framework would remain necessary for SQA to deliver. It was anticipated that any 'Plan' or 'Progress' deliverables not completed in 2021-22 would roll over into the 2022-23 plan. The Committee were mindful that SQA's capacity to absorb further 'Plan' or 'Progress' deliverables in 2022-23 would be limited, with the anticipation that capacity would be required to manage the implementation of the Muir Review recommendations with the highest priority.

The Committee welcomed that for 2022-23 SQA would focus to supporting operational planning at a business area level and use the 'steady state' as an opportunity to align

the operational planning, budget setting and resource planning processes ahead of the 2023-24 financial year.

97/8 RISK MANAGEMENT WORKSHOP

Mr Borley directed the workshop that enabled the Committee to discuss factors that SQA should be considering when considering risks and opportunities in the coming year.

During discussion the Committee:

- Were mindful that the impact of the Muir Review brought significant uncertainty for SQA and the Scottish education landscape and welcomed that any necessary risks would be incorporated in the CRR.

It was highlighted that the SQA Board would be considering SQA's draft consultation response later this month and this would provide the opportunity to identify any risks that had not already been captured in the CRR.

- Enquired why the number of opportunities identified were low.

In response it was clarified that as risk management within SQA matured it was anticipated as part of evolution in the understanding the policy and procedures, identifying opportunities would develop into standard practice.

- Considered if it would be beneficial for engagement with the whole of SQA's Board to enable broader insights and experience based on their roles in other organisations.

Given the delegated Authority and Duties of the Committee, as per the Standing Orders, and the reduced numbers of the Committee it was suggested that a separate session when all Committee members could attend be explored.

In closing, the Committee recognised the development of SQA's approach to identify, understand, evaluate, and mitigate risks and issues.

97/9 NATIONAL FRAUD INITIATIVE 2020-21 EXERCISE

Mr Baxter presented the 2020-21 National Fraud Initiative (NFI) report highlighting that this was SQA's fifth time participating. In relation to the 305 recommended matches, he was pleased to advise that no data matches occurred as a result of fraudulent activity.

The Committee were encouraged that SQA continued to engage with the NFI and noted the contents of the report.

On behalf of the Committee, the Convenor wished [REDACTED] success in his secondment, and thanked for all his advice and contribution over the years.

[REDACTED], [REDACTED], [REDACTED] and [REDACTED] left the meeting.

97/10 ANY OTHER BUSINESS

Internal Audit Contract

As indicated earlier in the meeting (A94/4 i refers), procurement of 2022 - 2025 internal audit services had commenced. Mr Baxter advised that there had been four responses to the invitation to tender (ITT) and evaluation of the tender submissions was underway. It was anticipated that the award of contract would be completed by the end of the year.

The Committee welcomed that a handover plan would be established on appointment of SQA's new internal auditors to ensure continued continuity.

97/11 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 14 March 2022.

The location of the meeting would be confirmed nearer the time and would follow government advice and guidance.

Later: The would be held by MS Teams.

PAPER FOR NOTING

PFN 1 Meeting Dates 2022

The Committee noted the dates presented.