

SCOTTISH QUALIFICATIONS AUTHORITY

A101/2 i

AUDIT COMMITTEE – 21 NOVEMBER 2022

For approval

Minutes of the one hundredth meeting of the Audit Committee held on Monday 29 August 2022 at 10 am by Microsoft Teams.

Members

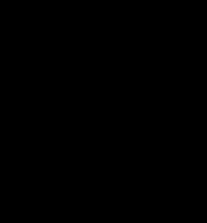
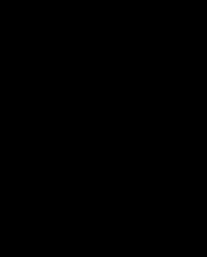
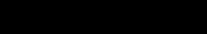
- * Mr H McKay (Convenor)
- * Ms A Davis
- * Dr W Mayne
- * Prof K Thomson

Officers

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

* indicates present

In attendance

, SQA
, SQA
, SQA
, Grant Thornton
, Grant Thornton
, Grant Thornton
Mr A Dickson, SQA
, SQA
, SQA
, Audit Scotland (A100/9 onwards)
, SQA
, Audit Scotland
, SQA (A100/9 – A100/12 only)
, SQA (100/6 only)
Ms L McGrath, SQA
Mr J McMorris, SQA (A100/5 only)
, Audit Scotland
Ms Y Raven, SQA

100/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one hundredth meeting, including Ms Yazmin Raven, Head of Strategic Planning & Governance who was welcomed to her first meeting.

A welcome was also extended to Ms Liz McGrath, Head of Qualifications Portfolio Management, who was deputising for Dr Stewart and colleagues from Audit Scotland and Grant Thornton.

Apologies for absence were received from Mr Middleton, SQA Chair and Dr Stewart.

There were no conflicts of interest declared.

100/2 **MINUTES OF THE PREVIOUS MEETING**

i **Approval of minutes from previous meeting**

The minutes of the ninety-ninth meeting of the Committee held on 13 June 2022 were approved as an accurate record of the meeting.

ii **Action Grid**

The Committee noted the closure of the two actions recorded.

iii **Workplan**

The Committee noted the contents of the workplan.

100/3 **MATTERS ARISING**

There were no matters arising.

100/4 **INTERNAL AUDIT ACTIVITY – SQA**

i **SQA Internal Audit Work Report**

Mr Dickson presented the report that detailed the progress against the 2022-23 Audit Plan advising that although progress remained at amber, the KPI had increased from 21% to 22%. It was anticipated a higher KPI was likely to continue into the next few quarters given the challenging circumstances of SQA and the lagging nature of the KPI. The Committee were mindful of the pressures on SQA and options to improve the KPI were considered including a review of the mechanisms.

The Committee were reminded that internal audit actions were graded to enable management to prioritise when resources were stretched. Reassurance was provided that management was dedicated to continuing to address all internal audit actions, with priority to any high risk ones, and this was welcomed by the Committee.

Th Committee noted the contents of the report.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

██████████ presented the report detailing that seven internal audit actions were validated and closed by Grant Thomson. In the ensuing discussion the following internal audit actions were covered:

▪ *166.2 – 2.2 Policy Review Dates (Payroll audit)*

It was noted that SQA's Pay Policy was in the final stages of consultation, and it was anticipated that the action would close by the next meeting.

▪ *172.2 – 3.1 Succession planning and development needs (Succession Planning audit)*

The Committee was assured that process were embedded as part of the annual management schedule and that and all identified successors would have SMART objectives associated to their succession development plans.

▪ *193.1 - 3.1 Mechanism for collecting and acting upon feedback from partners (Partnership Working audit)*

In response to a query around the internal audit action, it was advised that this related to establishing a formal mechanism for obtaining and acting upon feedback. It was anticipated to be in place by September 2022 and in use by the end October 2022 when the NQ2023 Steering and Working Group would be operational.

The Committee noted the contents of the report.

External Audit Tracker Report

The Committee noted the contents of the report and that three external audit actions had been closed by Audit Scotland.

Welcomed to the meeting was Mr John McMorris, Director of Business Development.

100/5 **INTERNAL AUDIT ACTIVITY - AZETS**

i **Internal Audit Progress Report**

██████████ provided an overview of the progress against the 2022-23 Internal Audit Plan, highlighting the completion of two reviews, fieldwork was on going for one and that scoping for the reviews detailed in the report were underway.

The Committee noted the contents of the report.

ii **Follow-up Report**

The Committee noted the summary of the progress made by SQA in implementing previous internal audit recommendations during the period from June to August 2022.

iii **Internal Audit Report – Financial Healthcheck**

██████████ presented the report that considered the controls (design and operation) in place at SQA in relation to the financial health including, testing on income and receivables. The audit demonstrated effective risk management in this area, with two low rated findings identified. The controls in place enabled Grant Thornton to provide a reasonable level of assurance.

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

iv **Internal Audit Report – Contract Management**

██████████ presented the report that considered the controls (design and operation) in place at SQA in relation to Contract Management. In particular, the audit focused on the control measures in place around three contracts, Dangerous Goods, Qualifications of Street Works and Key Stage (2) Test Operations (CAPITA).

The audit identified some areas for improvement were identified and once implemented, would allow SQA to further strengthen the control framework. The controls in place enabled Grant Thornton to provide a partial level of assurance.

The Committee noted the contents of the report.

v **Internal Audit Plan 2022-23**

A revised internal audit plan for 2022-23 was presented for consideration, including the rationale for the three additional audits: Ofqual compliance, Education Reform and Financial Controls – Fixed Assets and Prepayments. It was noted that Grant Thornton had updated the indicative two year (strategic) internal audit plan for 2022-23 to 2023-24 and the annual plan for 2022-23 to reflect the proposed scopes and planned timings.

The Committee welcomed that the contingency days allocated would be kept under review to ensure flexibility for any further assurance work and take into account any new / changing / emerging risks.

The Committee approved the changes to the 2022-23 internal audit plan.

Mr McMorris left the meeting.

100/6 **2022-23 Q1 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT**

██████████ was welcomed to the meeting.

██████████ presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q1 Corporate Risk Register (CRR) and quarterly Risks, Opportunities and Issues (ROI) report. SQA's overall risk profile remained high, and

this was anticipated and 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 21CRR66R – Risk was around following Scottish Government advice and guidance SQA with proceeding with a phased approach to reopening offices allowing for greater occupancy.*

It was proposed to close the risk as office protocols were reviewed following the lifting of restrictions and promoted to all colleagues and appointees who would be attending the Lowden office for procedural meetings.

The Committee was assured that Facilities colleagues would continue to monitor the situation and would implement any adaptations if required.

The Committee endorsed the risk closure.

- *Risk 21CRR67R – Risk was around the publication of the 2022-23 Public Sector Pay Policy, the impending increase to National Insurance contributions from 01.04.2022 and rising inflation. SQA may see an increase in the level of resignations due to low pay increases and impact on take home pay for some colleagues.*

It was proposed to close the risk and manage through 22CRR70R (Risk was around the below inflationary pay increases and limited additional flexibilities outlined within Public Sector Pay Policy may lead to prolonged pay negotiations with trade unions and ultimately trade unions rejecting the pay deal).

The Committee endorsed the risk closure.

- *Risk 21CRR41R – Risk was around Ofqual finding SQA Awarding body in breach of one or more of their conditions and take regulatory action against SQA.*

The Committee noted that this risk had now changed from Risk to Issue (21CRR41I).

Highlighted to the Committee were proposals that the Risk and Opportunities Group did not support:

- *Risk 14CRR3R – Risk was around a breach of security.*

The proposal was to split the risk, instead the Risk and Opportunities Group had agreed that an in-depth Risk Assessment tool would be used to review the risk with the aim to add value.

The Committee endorsed the risk review.

- *Risk 22POR01R (SQA's Portfolio Board register) – Risk was around business-as-usual activity and our ability to undertake change that would be disrupted due to a global/national pandemic.*

The proposal was to escalate to the CRR, instead the Risk and Opportunities Group had agreed that the risk could be incorporated into 14CRR20R and for EMT to consider further.

- *Opportunity 22POR01O (Business Systems register) – The opportunity was around maximising SQA's ability to carry out business-as-usual functions and the changes needed to take into the new replacement organisation and the future through the introduction of capacity planning and the required capacity planning roles as an organisation wide function.*

The proposal was to escalate to the CRR, and the Risk and Opportunities Group had agreed that a further update would be provided by Business Systems.

During discussion the following risks were covered:

- *Risk 21CRR59R – Risk was around ongoing upgrades, compatibility issues and reliance on legacy systems.*

The Committee noted that the replacement of legacy systems was part of the IT Strategy for the replacement of SQA and due to the nature and complexity of the risk's reliance on legacy systems this would continue to be a high risk area.

- *Risk 21CRR62R - Risk was associated with SQA no longer considered an attractive place to work following the Scottish Government announcement to replace SQA. This could lead to failure to attract key talent and could see a reduction in job applicants.*

Despite the challenging circumstances the Committee was assured that SQA was actively undertaking harmonisation workforce planning and prioritising where appropriate.

- *Risk 21CRR61R, Risk 21CRR63R, Risk 21CRR65R – Risks were associated with the replacement of SQA and had been escalated to the Scottish Government.*

The Committee noted that discussions continued with the Scottish Government around the additional resource requirements needed to deliver the reform programme whilst SQA were continuing to deliver its existing functions. The Committee was assured that SQA would continue to operate and meet its statutory duties.

██████████ left the meeting.

100/7 SQA ANNUAL PROCUREMENT REPORT 2021-22

██████████, was welcomed to the meeting who presented the report that detailed the work and the contribution made by the Procurement Department over the financial year. To comply with legislation, under the Procurement Reform

(Scotland) Act 2014 Part 2 section 18 the report would be published on SQA's website.

In discussion, the Committee:

- Contemplated if narrative should be included around ethical footprint. It was acknowledged that this would be considered and amended if appropriate.
- Highlighted some minor amendments to the narrative and it was noted that these would be amended prior to remit to the SQA Board.
- Commented on SQA retaining the highest performance band (M1) from the Scottish Government's Procurement and Commercial Improvement Programme.

The Committee noted the report and endorsed it for remit to the SQA Board in September.

100/8 **SQA's SCHEME OF DELEGATION**

██████████ presented SQA's Scheme of Delegation and advised that given the unique circumstances of SQA it was decided that there would be no change to authorisation limits. Following approval, the version would carry over to the new replacement organisation, who would then decide if any revisions were required to authorisation limits, and this was endorsed by the Committee.

Clarification was sought on contract development and procurement and the Committee was assured that all necessary processes were followed and that SQA was compliant with procurement regulations.

The Committee endorsed SQA's Scheme of Delegation.

██████████ left the meeting.

100/9 **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND 2021-22 ANNUAL AUDIT REPORT – DRAFT**

Welcomed to the meeting was ██████████, and ██████████ from Audit Scotland.

██████████ introduced the proposed report that summarised Audit Scotland's work in relation to the financial statements for the year ended March 2022. He went on to present the report in detail and drew particular attention to the positive key messages in the introduction of the report, and then the various action points within the action plan. Following approval of the financial statements by the SQA Board, it was noted that Audit Scotland expected to issue an unqualified and unmodified audit opinion on SQA's annual report and accounts for 2021-22. On behalf of Audit Scotland, he thanked SQA officers for their cooperation and support in reaching completion of the final report.

During discussion of the report, the Committee commended SQA for adding an internal audit review to review the controls in place over the management of fixed assets and prepayments following the finding identified by Audit Scotland.

The Committee noted the draft report and was satisfied that it was anticipated that there would be an unqualified audit opinion on SQA's annual report and accounts for 2021-22.

As Convenor of the Committee, Mr McKay recorded his assurances on the audit rigour and standards that had taken place and commended the report for submission to the SQA Board.

100/10 **SQA AUDIT COMMITTEE ANNUAL REPORT 2021-22**

Mr McKay, Convenor of the Committee, presented the Annual Report that summarised the main activities of the Committee for 2021-22. The report provided an assurance to the SQA Board that SQA's governance, risk management and control environment were satisfactory during the year and would support the SQA Board in its approval of the Annual Report and Accounts.

As Accountable Officer, the Chief Executive confirmed to the Committee that she was comfortable with the content of the report.

The Committee endorsed the positive assurances and conclusions of the report, approving it for remit to the SQA Board in September.

100/11 **PUBLIC SERVICES REFORM ACT 2010 – 2021-22 REPORT**

To comply with legislation under the Public Services Reform Act (PSRA) public bodies were required to publish financial information as soon as practical following the end of each financial year.

The Committee reviewed the report and noted that it would be presented to the SQA Board in September for endorsement and that, as part of the public reporting framework, it would be published concurrently with the Annual Report and Accounts.

100/12 **ANNUAL REPORT & FINANCIAL ACCOUNTS 2021-22**

Mr Baxter provided a comprehensive overview of the Annual Report and Accounts 2021-22. The Committee had also been provided with a detailed cover paper for the latter, which had highlighted the key points and explained any amounts beyond that covered in the notes to the accounts.

The Committee approved the Annual Report and Accounts for remit to the SQA Board prior to submission to Ministers and the Scottish Parliament.

██████████ left the meeting.

100/13 **ANY OTHER BUSINESS**

There was no further business raised.

100/14 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 21 November 2022 and would be held by MS Teams.

PRIVATE SESSION

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.