SCOTTISH QUALIFICATIONS AUTHORITY   A99/2 i

AUDIT COMMITTEE – 13 JUNE 2022   For approval

Minutes of the ninety-eighth meeting of the Audit Committee held on Monday 14 March 2022 at 10 am by Microsoft Teams.

Members

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

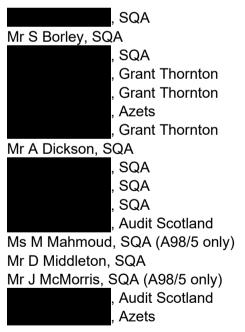## Officers

* Mr M Baxter
* Ms F Robertson
  Dr G Stewart

* indicates present

In attendance

███████████, SQA
Mr S Borley, SQA
███████████, SQA
███████████, Grant Thornton
███████████, Grant Thornton
███████████, Azets
███████████, Grant Thornton
Mr A Dickson, SQA
███████████, SQA
███████████, SQA
███████████, SQA
███████████, Audit Scotland
Ms M Mahmoud, SQA (A98/5 only)
Mr D Middleton, SQA
Mr J McMorris, SQA (A98/5 only)
███████████, Audit Scotland
███████████, Azets

Observer

███████████, Scottish Government

98/1   WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-eighth meeting, including Mr David Middleton, SQA Chair, ███████████ from the Sponsorship Team at the

Scottish Government and colleagues from Audit Scotland and Azets. The Convenor took the opportunity to congratulate ████████████ on her recent promotion to Partner.

A welcome was also extended to SQA's new internal auditors, Grant Thornton, who introduced themselves to the Committee.

Apologies for absence were received from Dr Stewart.

There were no conflicts of interest declared.

98/2   MINUTES OF THE PREVIOUS MEETING

i   Approval of minutes from previous meeting

The minutes of the ninety-seventh meeting of the Committee held on 1 November 2021 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.

98/3   MATTERS ARISING

There were no matters arising.

98/4   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 although progress remained at amber, the KPI had decreased from 28% to 21%. Progress continued to be made, with 17 new internal audit actions added this quarter and twelve internal audit actions validated and closed by Azets.

It was highlighted that six ISO internal audits were deferred into the 2022-23 ISO audit plan due to other priority work and shortage of in-house ISO auditors. It was noted that eight new volunteers from the organisation had undergone full training and it was anticipated that with the new resources the progress of the ISO audit plan would be on track by the next quarter.

ii   Internal and External Audit Tracker Reports

Internal Audit Tracker Report

As previously reported (A98/4 refers), twelve internal audit actions had been validated and closed by Azets, with 19 internal audit actions on track. It was anticipated that three of the previously missed internal audit actions would be completed by the year end, with evidence being submitted to Azets for validation and closure for the next meeting.

In the ensuing discussion the following internal audit actions were covered:

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

  It was explained that there had been a delay in closing out this internal audit action due to recent staff turnover and new successors had to be identified. Furthermore, there was difficulty in identifying successors within Business Systems due to the current competitive marketplace and the ability to retain talent. The Committee was assured that this would be closely monitored.

- *174.5 - 2.1 Fraud risk assessments (Counter Fraud Arrangements audit)*

  The Committee welcomed that formal risk assessments had been designed for Directorates and were reassured that these would be completed as part of SQA's Internal Controls Questionnaire and finalised by 31 May 2022.

- *185.1 – 1.1 Operational planning tool and guidance (Operational Planning audit)*

  As part of the Finance & Corporate Services Organisation Development Day on 1 March a successful session was undertaken to align the operational planning cycle and budget and resource planning cycles. Final reflections were underway and would be shared with the business in due course.

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 Committee commended the work undertaken by SQA around segmental reporting and highlighted that the capability to understand the cost of products and services would be particularly important in the period of transition to the new organisation.

The Committee noted the contents of the report.

iii **ISO 9001 and 27001 Change to Approval, Focus Visit Report**

Mr Borley presented details of the surveillance visit that had been conducted on 20-21 October 2021, to ensure that compliance with existing certification to the management system standard had been maintained and to review ability to integrate both of those existing ISO certificates into one Integrated Management Systems certification.

Four minor non-conformities (NCs) from previous visits were closed, and one new minor NC was identified. The assessor determined that the requirements of ISO 9001:2015 and ISO/IEC 27001:2013 were met, therefore the change to approval was recommended for the agreed scope changes.

The Committee noted the contents of the report.

Welcomed to the meeting was Ms Dawnne Mahmoud, Director of People, and Mr John McMorris, Director of Business Development.

98/5   INTERNAL AUDIT ACTIVITY - AZETS

i   **Follow Up Report Q3 2021-22**

███████████ presented the report for the period October 2021 to February 2022, which validated the previous two reports (A98/4 i and ii). Sufficient evidence had been received to validate and close twelve actions, the number of open actions had increased from 15 to 22 and overdue actions had reduced to six.

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 2022 and advised that two 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 - Effectiveness of Engagement with Trade Unions**

███████████ presented the report that reviewed the arrangements in place to ensure effective engagement with employee Unions. The arrangements for providing feedback and ensuring engagement was continually improved was also assessed. She explained that the period of uncertainty around the SQA's future and the underlying level of uncertainty for staff around their future was considered, with the scope of the audit focussing on what SQA does to manage risk in this area. It was clarified that the trade unions had been involved in defining the scope of the audit and the findings had been shared with them.

Acknowledging that this was a high risk environment she was pleased to advise that it was a positive report with effective controls in place with areas of good practice identified. One minor opportunity for improvement was identified around the design of the monitoring arrangements by regularly evaluating and reporting on the effectiveness of engagement with the trade unions and ensuring lessons learned were clearly documented and used to inform future engagement.

It was highlighted that management recognised that with the current climate and continued uncertainty it could be difficult to maintain positive trade union engagement and as such a new risk was proposed for the Corporate Risk Register (A98/6 i refers).

The Convenor requested that a copy of the report be shared with

Mr Grahame Smith given his role on the SQA Board, and this was endorsed by the Committee.

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

iv **Internal Audit Report – Customer Service: enquiry management and call handling**

███████████ presented the report that reviewed the new enquiry management arrangements, including interface with the complaints process, to ensure processes were working effectively.

The report identified that SQA had developed effective arrangements for managing customer enquiries that were operating effectively. Several areas of good practice and two minor opportunities for improvement were identified that would allow SQA to strengthen further the control framework.

It was clarified that the scope of the audit did not specifically include social media and the Committee suggested that this could be a potential scope for the future.

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

Ms Mahmood and Mr McMorris left the meeting.

98/6 RISK MANAGMENT

i **2021-22 Q3 Corporate Risk Register and Risk, Opportunity and Issues report**

███████████ presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q3 Corporate Risk Register (CRR) and quarterly Risks, Opportunities and Issues (ROI) report. There was an increase within Reputational and People categories and SQA's overall risk profile remained high, and this was anticipated and consistent with the challenging circumstances the organisation faced.

Mr Baxter reminded the Committee that due to the lead time to produce the papers the updates provided for the CRR had been prior to the official publication of the report by Professor Kenneth Muir. It was highlighted that although the Scottish Government had provided a copy of the report and asked EMT to provide input to the initial advice being prepared by civil

servants for the Cabinet Secretary, this had been strictly embargoed. Therefore, updates were unable to be revised accordingly to the outcomes of the report, however this would be completed going forward.

███████████ 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.

▪ It was proposed to terminate the following two risks as Appeals certification was successfully completed in November 2021 and delivery of ACM 2021 was successfully completed.

   ❖ 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.

   ❖ 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.

   The Committee endorsed the termination of the two risks from the CRR.

▪ It was proposed to terminate the following two risks as they had been superseded with new risks.

   ❖ 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.

   ❖ Risk 21CRR57R - Risk was associated with the Scottish Government's announcement to replace SQA and the impact this could have on maintaining positive colleague and union engagement for the duration as a result of low staff morale and continued uncertainty.

   The Committee endorsed the termination of the two risks from the CRR.

▪ Risk 21CRR66R - New risk

   It was proposed to add the new risk around proceeding with a phased approach to reopening offices allowing for greater occupancy. Although preventative measures were in place, there could be an increase of COVID-19 cases for colleagues and or appointees.

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

- Risk 21CRR67R - New risk

  It was proposed to add the new risk around the publication of the 2022-23 Public Sector Pay Policy, the impending increase to National Insurance contributions from April and rising inflation. This could increase the level of resignations due to low pay increases and impact on take home pay for some colleagues.

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

- Risk 21CRR68R - New risk

  It was proposed to add the new risk around the possibility that the Equality and Human Rights Commission could take legal action due to SQA's failure to meet accessibility regulations: The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018.

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

- 21CPG06R - Propose to escalate from Operations ROI Register

  The risk was around out of hours coverage arrangements for Main Diet based on best endeavour that may not be sufficient to support Quality Assurance, e-Marking and Post Results Services/Appeals.

  The Committee endorsed the escalation to the CRR.

The Committee commented that the next five new risks were associated with the replacement of SQA. It was agreed that it was not feasible for SQA, using its own efforts and resources, to be in a position to mitigate these risks effectively, and, in addition, this could have wider implications. In the ensuing discussion a project external risk register was considered, however, it was agreed that given that there would always be external factors such as economic, natural and political factors it was sensible to remain utilising SQA's existing governance structures.

The Committee noted that there had been on-going discussions with the Scottish Government, including a letter from the Chief Executive to the Cabinet Secretary in September 2021. ████████, Scottish Government, took the opportunity to provide assurance to the Committee that the sponsor unit would be made aware of relevant risks discussed.

- Risk 21CRR65R - New risk

  It was proposed to add the new risk around the current climate with a risk that management would be unable to maintain positive colleague and union engagement as a result of low colleague morale and continued uncertainty.

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

▪ It was proposed to add the following four new risks that were linked to the SQA/Scottish Government risk register.

❖ Risk 21CRR61R - Risk was associated with colleagues who are disengaged, demotivated, and concerned about job security following the Scottish Government announcement to replace SQA. This could lead to poor morale, impact on wellbeing, increased sick absence, resignations, and Trade Union unrest.

❖ 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.

❖ Risk 21CRR63R - Risk was associated with SQA colleagues, management and Trade Unions views, experience, expertise, and knowledge not sought or taken into consideration in Professor Muir and Professor Hayward's work. This could lead to an increase in resignations which may impact the ability to establish a new successful organisation.

❖ Risk 21CRR64R - Risk was associated with SQA colleagues who are asked to support additional work linked to Professor Muir or Hayward's reviews as well as being expected to deliver existing commitments i.e., NQ exam diet, HN & SVQ, HN next generation, commercial contracts. This could lead to additional work for already over worked colleagues, potential breaches in the working time directive, poor staff morale, impact on wellbeing, increased sick absence, resignations, and Trade *Union unrest.*

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

As per SQA's Risk, Opportunity and Issues Management policy it was the responsibility of the Committee to escalate any risks to the SQA Board for further discussion. The Committee endorsed exercising that formal governance for the five new risks associated with the replacement of SQA as they were not able to be effectively and/or fully mitigated by SQA on its own.

ii **SQA Risk, Opportunity and Issues Management Report**

████████████ presented the policy and reminded the Committee that this was part of the annual review to check that the remit accurately embraced the governance and roles in line with any organisational changes that had taken place. Additionally, as per an Azets internal audit action a section on Cyber risk identification had been incorporated to the policy.

The Committee were encouraged that the policy provided a framework to support risk, opportunity and issue management in SQA and approved the proposed changed to the policy.

iii **SQA Business Continuity Steering Group Horizon Scanning Report 2022**

███████████ presented in detail the Horizon Scanning outputs from Business Continuity Steering Group where top ten risks for the year ahead were discussed and agreed. It was clarified that all factors were interactive / interdependent on one another and had been cross-checked with the CRR as part of the process. It was highlighted that the situation in Ukraine and the impacts that follow for SQA, for example inflation, had been reflected in the report.

The Committee welcomed oversight of the report and requested that this be shared annually with the Committee.

98/7 INTERNAL AUDIT ACTIVITY – GRANT THORNTON DRAFT AUDIT CHARTER AND PLAN 2022-23

███████████ introduced the report that set out the audit charter, a proposed annual plan for 2022-23 and the indicative two year (strategic) internal audit plan 2022-23 to 2023-24.

It was proposed that the 2022-23 plan would contain nine audits with a higher number of contingency days allocated. This was to ensure flexibility to take account of new / changing / emerging risks and / or ad-hoc requests and to cover any further assurance work required following the publication of the report by Professor Kenneth Muir. The Committee noted that the 2022-23 plan would be reviewed and presented to the next meeting. Discussion around the reduction in the number of audits took place and the Committee welcomed the move towards quality rather than quantity, with more targeted and in-depth audits to be undertaken.

The Committee considered the audit areas for review across SQA, noting the areas which had not been covered. Mr Baxter reminded the Committee that internal audit was not the only source of assurance for the Committee. Assurance on the management of risk should also be provided from a number of other sources, including programme and project governance, the senior management team, external audit, and the application of the risk management framework itself.

The Committee approved the audit charter, the proposed annual plan for 2022-23 and the indicative two year (strategic) internal audit plan 2022-23 to 2023-24, subject to full review at the next meeting.

98/8 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2021-22

███████████ highlighted that this would be the sixth and final year of the current appointment cycle with Audit Scotland and the Committee were assured that they would work closely with the successors to ensure a well-managed transition.

He went on to present in detail the Annual Audit Plan 2021-22 to the Committee, that summarised Audit Scotland's responsibilities, as external auditors, and the intended approach to issues impacting SQA's activities in that year.

The Committee reviewed the plan, and it was clarified that the slight change in the timetable was to get all public bodies back to reporting audited accounts in pre-pandemic timelines.

The Committee noted Audit Scotland's Annual Audit Plan 2021-22.

98/9 ANY OTHER BUSINESS

There was no further business raised.

98/10 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 13 June 2022.

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

Later: It was confirmed that the meeting would be held by MS Teams.

PAPER FOR NOTING

▪ PFN 1 - Audit Committee Risk Management Workshop note

The Committee agreed that a separate workshop out with a meeting was beneficial and would welcome the approach for the future.

The Committee noted the summary of discussion from the workshop and that these would be considered alongside other sources of intelligence to map out the framework for the future.