SCOTTISH QUALIFICATIONS AUTHORITY   **A93/2 i**

AUDIT COMMITTEE – 2 NOVEMBER 2020   **For approval**

Minutes of the ninety-second meeting of the Audit Committee held on Monday 27 July 2020 at 10 am by Microsoft Teams.

Members	Officers	In attendance
* Mr H McKay (Convenor)	* Mr M Baxter	▮▮▮▮▮▮, SQA
* Ms E Craig	* Ms F Robertson	Mr S Borley, SQA
* Ms A Davis	Dr G Stewart	▮▮▮▮▮, SQA (A92/8 only)
Dr W Mayne		▮▮▮▮▮, Scott-Moncrieff (until A92/13)
Dr K Thomson		▮▮▮▮▮, SQA
		▮▮▮▮▮, SQA
		▮▮▮▮▮ Audit Scotland
		▮▮▮▮▮ SQA
		▮▮▮▮▮, Scottish Government
		▮▮▮▮▮, Scott-Moncrieff (until A92/13)
		▮▮▮▮▮ Audit Scotland
		▮▮▮▮▮, SQA

* indicates present

92/1   WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-second meeting, including ▮▮▮▮▮▮ Senior Accounting Manager, and colleagues from Audit Scotland and Scott-Moncrieff.

A welcome was also extended to ▮▮▮▮▮▮▮ from Scottish Government who had recently joined the Sponsor Team and was in attendance as part of her induction to SQA.

Apologies were recorded for Dr Mayne, Dr Thomson, Dr Stewart and Mr David Middleton, SQA Chair.

There were no conflicts of interest declared.

92/2   MINUTES OF THE PREVIOUS MEETING

i   Approval of minutes from previous meeting

91/4   Corporate Risk Register

A minor typographical error within the narrative of Risk14CRR3 was highlighted and this would be rectified on the electronic version of the minutes.

Subject to the above correction, the minutes of the ninety-first meeting of the Committee held on 1 June 2020 were approved as an accurate record of the meeting.

ii   **Action Grid**

91/13   **AOB - 2020-21 Internal Audit plan - COVID-19 pandemic**

The Committee were reminded that the action had been added with regards to monitoring the impact across SQA during the COVID-19 pandemic, and if appropriate then the 2020-21 Internal Audit plan would be reviewed.

The Committee noted the contents of the Action Grid.

iii   **Workplan**

The Convenor highlighted to the Committee that due to the COVID-19 pandemic, there had been a delay in receiving the necessary information from the Scottish Government to finalise the Procurement Annual Report 2019-20. To meet SQA's statutory obligation to publish the report within six months of the year end, it was proposed that the report be presented to the August meeting of the SQA Board for review and approval, and this was endorsed by the Committee.

The Committee noted the contents of the workplan.

92/3   MATTERS ARISING

There were no matters arising.

92/4   CORPORATE RISK REGISTER

Mr Baxter led on presenting the current status of SQA's Corporate Risk Register (CRR) and the proposals on some risks from the Executive Management Team (EMT):

- *Risk 14CRR18 - Risk was associated with external factors or decisions impacting on SQA activities. As advised at the last meeting, this had been revised to include consideration of the impact of decisions and challenges on SQA's operating model in relation to 2021 and beyond.*

  EMT proposed to increase Gross Score probability from three to four, resulting in the risk score changing from 15 to 20. In addition, the Net Score probability from two to four, and the impact score from two to five, resulting in the risk score changing from four to 20. These proposals would result in a change in the risk rating from green to red.

  The Committee endorsed the risk increases.

- *Risk 20CRR42 - Risk was associated with 2020 certification and the submission of estimate/ranking by centres.*

  All estimates had been received and EMT proposed to close the risk.

  The Committee endorsed the closure of the risk.

- *Risk 20CRR45 - Risk was associated with system modifications required to deliver 2020 certification.*

  Resources and plans, including rigorous testing, were in place to deliver to business timelines and EMT proposed to reduce the probability of the Net Score from four to two, resulting in the risk score changing from 20 to ten.

  The Committee endorsed the risk reduction.

- *Risk 20CRR46 - Risk was associated with data required to deliver 2020 certification.*

  A solution for the 2020 diet had been designed that considered the removal of process steps from previous diets and maintained the integrity of the end to end process. Further analysis was required to understand the impact of process and data removal to ensure historical data sets were complete and future diets were not impacted.

  EMT proposed to reduce the probability of the Net Score from four to three, resulting in the risk score changing from 20 to 15.

  The Committee endorsed the risk reduction.

The following risks were covered in the course of discussion:

- *Risk 14CRR20 - The risk was associated with a major incident, internal or external, affecting ability to operate and deliver. In this instance it was related to the situation with the COVID-19 pandemic.*

  The Committee requested an update on the pulse survey that was issued to staff to find out how well they felt connected, informed and comfortable in the home working environment during the COVID-19 pandemic. In response, it was advised that the results were consistent across all the Directorates, with the majority of staff generally comfortable with their home working environment. Staff were able to request additional items to enable them to have a safe and effective workstation.

  EMT were closely monitoring the situation and another pulse survey would be issued in August to measure progress over the next couple of months. The Committee was assured that EMT's priority continued to be the health and wellbeing of the staff.

  Discussion led to the future and possibilities of a more flexible working environment within SQA. It was noted that an exercise to assess the overall effectiveness of homeworking, both the benefits and the losses, would be undertaken by EMT.

- *Risk 20CRR47- The risk was associated with the lack of public confidence in SQA's Alternative certification model for 2020.*

  Information on the 2020 awarding four steps model continued to be communicated to all stakeholders, and the Committee was assured that there would be full transparency on Results Day and the 2020 Attainment Statistics would be published.

- *Risk 14CRR23 - The risk was associated with staff experiencing high levels of stress and had been updated to reflect the situation with the COVID-19 pandemic.*

  The Committee noted that SQA offices had been reviewed with social distancing measures put in place and PPE would be available to staff who wish to use them. SQA had worked with the building management agency for the Optima building common areas, including the entrance, stairwells and elevators and the Committee was reassured that social distancing measures where be in place.

  It was highlighted that only staff who were required to undertake critical office-based activities would return to the offices and all other staff would continue to work from home.

- *Risk 17CRR37- The risk was associated with a combination of both disaster recovery and technology platform.*

  The Committee was advised that although there had been a delay due to a technical issue with the environment, configuration of the VMWare platform to support the Site Recovery Manager was on track to be resolved and competed by the new target date of 31 July 2020.

Discussion led to possible impact on the qualification's portfolio and future demands of SQA due to the COVID-19 pandemic, and it was suggested that SQA could perhaps use the opportunity to its advantage to ensure that the portfolio was sustainable in the changing environment. It was noted that the portfolio was regularly reviewed, and an Uptake Analysis Review that focused on low and zero uptake qualifications had recently taken place. EMT would continue to monitor and review regularly.

92/5   **SQA INTERNAL AUDIT WORK REPORT**

Mr Baxter presented the report that detailed the progress against the 2020-21 Internal Audit Plan. The KPI had slightly increased from 17% to 18%, with no new management actions missed during the quarter.

He was pleased to highlight that nine internal Scott-Moncrieff actions had been validated and closed. This included the only Grade 4, very high-risk, action (160.1 IT Disaster Recovery Plan), and this was commended by the Committee.

The Committee noted the contents of the report

92/6   **INTERNAL AUDIT ACTIVITY – SQA**

i   **Internal and External Audit Tracker Reports**

         Internal Audit Tracker Report

- *Performance Capability document (Ref 172.1)*

  The Committee enquired if all SQA's policies and procedures, not just the performance of staff ones associated with this risk, were contained within a policy review schedule. In response, Mr Baxter advised that one of the deliverables in the Performance Framework was to review and update all policies to ensure they were both up-to-date and consistently applied.

Performance against the deliverable would be tracked through the Performance Committee.

The Committee noted the contents of the report.

External Audit Tracker Report

███████ presented the external audit tracking report and highlighted that there were ten open actions and nine actions were marked as awaiting formal closure by Audit Scotland.

Corrective actions that had been taken to address two minor non-conformities (NCs) ISO Standards findings and these would be removed from the report.

- *Contract Services (Bright Ideas scheme) - ISO 9001 Surveillance Visit*

  In response to an enquiry, Mr Baxter advised that the development of a new process was to provide a structured and consistent approach to identifying and recording opportunities for improvement to help share past lessons or best practices.

The Committee noted the contents of the report.

ii **ISO 27001 Surveillance Report**

Mr Borley presented details of the surveillance visit that had been conducted between 26-27 May, to ensure that compliance with existing certification to the management system standard had been maintained.

During the visit, two minor NCs from previous visits were closed, three remained open, and two new minor NCs had been identified. At the conclusion of the visit, the assessor determined that the requirements of ISO 27001 were met, and continued certification was recommended.

Regarding Lloyd's Register Quality Assurance (LRQA) reviewing and compliance checks, the Convenor enquired why assurance was taken from the Scott-Moncrieff audit reports. In response, it was advised that LRQA's external audits were conducted for the sole purpose of ISO certification. They receive all audit reports that were related to any of the areas LRQA review to ensure compliance. This included audits undertaken by the in-house SQA ISO audit team, and any undertaken by Scott-Moncrieff, for example the ISO27001 IT Controls report (Scott-Moncrieff had been requested to cover some specialist ISO IT controls within the standard to ensure impartiality). It was clarified that within the report, any reference to the internal audit plan was not SQA's Internal Audit Plan but rather SQA's in-house ISO Audit Plan, which was required as part of the standard.

The Committee noted the contents of the report.

92/7 **INTERNAL AUDIT ACTIVITY - SCOTT-MONCRIEFF**

i **Follow Up Report Q1 2020-21**

███████ presented the report for the period May to June 2020, which detailed the status of actions that had been assessed as closed by SQA and

Scott-Moncrieff's validation of those. There had been sufficient evidence received to validate and close nine actions. The number of open actions had decreased from to twenty-four to seventeen, with outstanding actions decreasing from nine to five.

He took the opportunity to highlight that within their client base, SQA had a relatively low number of actions, and continued to make good progress, particularly with actively addressing these.

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 end of June 2020 and advised that two reviews have been completed against the 2020-21 Internal Audit plan:

Given the situation with the COVID-19 pandemic it was unlikely that any restructuring within SQA would be undertaken to at least Q4, therefore the audit would potentially not be able to be undertaken until 2021-22. This would provide scope for other potentially COVID-19 related audit work during the 2020-21 Internal Audit Plan. EMT would be closely monitoring the position and reviewing the audit universe. Any amendments to the audit plan would be proposed at the next meeting.

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

iii   **Internal Audit Report - Counter Fraud Arrangements**

███████ presented the report that provided additional assurance around SQA's counter-fraud policies and processes to support compliance with the National Fraud Initiative (NFI).

He advised that SQA had a strong counter fraud environment, with policies in place that clearly outline the reporting channels and responsibilities in the event of a suspicion that financial irregularities may have occurred. Some areas of good practice and opportunities for improvement were identified. The highest priority action was to carry out a fraud risk assessment that would consider the area's most susceptible to fraud, and to identify the fraud training needs of different staff groups and capture these within a training plan.

Mr Borley was pleased to report that since the completion of the audit the Addressing Financial Irregularity policy was live and had been communicated to all staff. This addressed some of the actions and evidence would be submitted to Scott-Moncrieff to validate and close these actions for the next meeting.

It was enquired if there was any evidence of increased concern due to the COVID-19 pandemic, particularly with staff working remotely and the increased risk to SQA systems from cyber-attacks. The Committee noted that there was a reliable system of internal control is in place, including controls to manage fraud risks that were well managed. The development of a fraud risk assessment would provide clarity as to whether all of the risk areas have been identified.

████████ took the opportunity to highlight that Audit Scotland had recently published a report on the COVID-19 pandemic that described the range of fraud risks emerging, and what public bodies might do to help reduce these risks. Mr Baxter advised that the report had been received and had been distributed to his Directorate. It was agreed that the report would be circulated to the Committee for information.

The Committee noted the contents of the report.

92/8 **RISK, OPPORTUNITY AND ISSUES MANAGEMENT POLICY**

████████ Compliance Manager, as welcomed to the meeting.

Risk Management is an important part of SQA's internal control and corporate governance arrangements. To support better decision making through a good understanding of risks, opportunities and their likely impact, SQA had reviewed the policy. The Committee had been provided with a detailed cover paper explaining the revisions and Mr Borley provided a comprehensive overview the policy.

During discussion, the Committee:

▪ *Responsibilities*

   ❖ Enquired why the review of the Assurance Map had been included in both the responsibilities section for this Committee and the SQA Board. In response, it was clarified that as per the Standing Orders (11.1.2), the Committee supported the SQA Board with regard to their responsibilities for issues of risk, hence why it was deemed appropriate for both the review.
   ❖ Welcomed that a quarterly summary of risk register trends, based on analysis of all risk registers would be produced. The Committee were reminded that this was an action from Scott-Moncrieff's Risk Management audit.
   ❖ Requested that the SQA Board review horizon scanning annually, along with the Assurance Map.

▪ *Risk and opportunity appetite*

   ❖ Welcomed that the proposal to adapt the risk rating approach to a four-tier scale, in-line with the approach used by the Scottish Government.

▪ *SQA policies and legislation*

   ❖ Enquired if it would be appropriate to include SQA's Whistleblowing Policy. In response, it was advised that this had been referenced in SQA's Addressing Financial Irregularity. As SQA's Whistleblowing Policy overarched the remit of this policy, the Committee agreed that it was not appropriate to include a reference.

The Committee endorsed the remit of the Risk, Opportunity and Issues Management Policy to the SQA Board for approval.

████████ left the meeting.

92/9   **COMMITTEE STANDING ORDERS**

The Convenor reminded the Committee it was agreed to review the Standing Orders annually, to check that the remit accurately embraced the governance and role of the Committee.

The Standing Orders had been reviewed by the Convenor and SQA officers, with some presentational amendments suggested.

The Committee endorsed the amendments and agreed that the Standing Orders would be presented to the SQA Board for formal approval at its August meeting.

92/10   **EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND –DRAFT ANNUAL AUDIT REPORT 2019-20**

███████████████ introduced the proposed report that summarised Audit Scotland's work in relation to the financial statements for 2019-20. He presented the report in detail and drew attention to the positivity of the key messages at the introduction of the report, and then the various action points within the action plan.

He went on to highlight that the provision for unfunded pensions was an estimate of the expenditure likely to be required to settle potential obligations as at 31 March 2020. He assured the Committee that this would be reviewed, and any adjustments made prior to the presentation to the SQA Board in August.

It was highlighted that the figures within Exhibit 4 (Outturn against Departmental Expenditure Limit) do not seem to be consistent and the Committee requested that Audit Scotland review the report prior to submission to the SQA Board.

Discussion led to Audit Scotland's recommendations contained within the action plan:

▪   *Segmental Reporting*

    The Committee enquired when segmental reporting in the financial statements would be available. In response, it was advised that it had been anticipated that the move to Business World would allow SQA to perform a more detailed level of analysis, however, work remains ongoing under the current financial improvements, specifically work on the cost allocation module.

▪   *Non-current asset disposals*

    The Committee was assured that routinely throughout the year disposals of assets exercises were conducted. Historically one exercise took place in March, however, due to the COVID-19 pandemic it had not been deemed a high priority to conduct. As an alternative, monthly meeting had been established and would include a disposals of assets exercise.

    ███████████ advised that Audit Scotland had verified alternative procedures to confirm that the data within the Annual Report and Accounts was accurate.

The Convenor drew attention to the covering letter from Audit Scotland who sought confirmation that during 2019-20, the Committee was informed of any instances of any actual, suspected or alleged fraud, events that could have had a significant impact on the financial statements and any instances of non-compliance with legislation. The Committee confirmed compliance.

In concluding the report, ▮▮▮▮▮▮▮▮ recorded his thanks to SQA officers for their cooperation and support in reaching completion of the final report.

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.

92/11 **SQA AUDIT COMMITTEE ANNUAL REPORT 2019-20**

The Convenor presented the Annual Report that summarised the main activities of the Committee and provided an assurance to the SQA Board that SQA's governance, risk management and control environment were satisfactory in 2019-20. The report would support the SQA Board in its approval of the Annual Report and Accounts.

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

92/12 **PUBLIC SERVICES REFORM (SCOTLAND) ACT 2010 - 2019-20 REPORT**

The Public Services Reform Act (PSRA) requires public bodies 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 August for endorsement and that, as part of the public reporting framework, it would be published concurrently with the Annual Report and Accounts.

92/13 **ANNUAL REPORT AND ACCOUNTS 2019-20**

Mr Baxter provided a full and comprehensive overview of the Annual Report and Accounts 2019-20. 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.

During consideration of the report, the Committee:

▪ *COVID-19 pandemic*

Were reminded that the COVID-19 pandemic arose only in the last two-three weeks of the financial year, and that any risks and mitigating actions reflecting the position at that point in time had been included in the report. The Committee welcomed the balance included within the report.

▪ *Section A: Performance report - SQA's purpose and activities (Key issues and risks)*

Suggested that within the significant risks affecting SQA in 2019-20 table:

❖ Risk Appetite scoring - 'risk appetite' was added to each of the risk ratings to ensure clarity.
❖ People and Resources (Recruit/retain key Staff) - The addition of narrative on the staff survey.

- *Section A: Performance report - Performance summary (Customer and community engagement - SQA staff networks)*

  Welcomed that details on the several employee support networks had been included within the report. It was enquired if there was scope to establish an ethnic diversity Employee Network Group. In response it was explained that the driver for the establishment of any group was the staff and SQA would fully support it. The situation with the COVID-19 pandemic, had created a driver to establish a Parent and Carer employee support network and this had been launched.

- *Section A: Performance report - Performance analysis (Measuring performance)*

  Suggested to ensure clarity the narrative on the five Strategic Outcomes replacing the nine Strategic Goals was reviewed.

- *Section A: Performance report - Vocational qualifications*

  Enquired if the withdrawal of 96 regulated qualifications was on trend with previous years. It was agreed that this would be investigated and there was a change to the trend it would be prudent to include narrative to explain this.

- *Section A: Performance report - SQA Change Programme (Business World)*

  Suggested that the narrative around the responsibility and accountability of staff information was reviewed to ensure clarification that it was personal information and time recording only.

- *Section A: Performance report - Financial performance (Performance against Departmental Expenditure Limit)*

  Requested that following Audit Scotland's review within Exhibit 4 (Outturn against Departmental Expenditure Limit) from their Draft Annual Audit Report 2019-20 (A92/10 refers), the figures were verified within this report.

- *Section A: Performance report - Financial performance (Expenditure)*

  Requested clarification on why there was an increase of £1.148m from previous year's figure within Business Development Specialist Fees. It was agreed that this would be investigated and reported to the Committee in due course.

- *Section B: Accountability Report – Corporate Governance (SQA Board)*

  Requested an amend to the diagram that outlined the current governance structure, as the Audit Committee did not have narrative to advise that it had the ability to co-opt members to the Committee, as per the Standing Orders (1.5).

- *Section B: Accountability Report - Disclosure of remuneration*

  Reminded that at the previous meeting clarification had been requested around the increase in Board members expenses, following a response it was suggested that it would be helpful to include narrative to explain the apparent increase. Although narrative had been included, the Committee felt that it had not been clearly articulated.

  It was also enquired why individual expenses had not been disclosed. In

response, ███████ advised that after confirming with Audit Scotland that individual expenses did not need to be declared, SQA had decided to only disclose the combined amount.

The Committee suggested that the narrative was reviewed to clearly articulate both the reason for the increase, and why only the combined amount was shown.

- *Section B: Accountability Report - Remuneration and Staff Report (Staff report)*

  Received clarification that the information included on the average number of employees had been provided direct from the HR system and had been checked following the last meeting.

- *Section B: Accountability Report - Remuneration and Staff Report (Trade unions)*

  Noted that the establishment of a People Committee would be to ensure delivery of the People Strategy – once the latter was finalised. Further discussions had to take place internally with regards to the remit, and updates would be provided in due course / when available. The Committee suggested that the narrative was reviewed to reflect this.

- *Section C: Accounts 2019–20 - Notes to the accounts (Trade and other receivables)*

  Requested clarification on why there was an increase of £2.197m in prepayments and accrued income. It was agreed that this would be investigated and reported to the Committee in due course.

The Committee acknowledged that any suggestions would be considered for the inclusion in the report. Subject to any agreed amendments recorded above, the Committee approved the Annual Report and Accounts for remit to the SQA Board prior to submission to Ministers and the Scottish Parliament.

At this point ███████ and ███████████ from Scott-Moncrieff left the meeting.

92/14 INTERNAL AUDIT

Mr Baxter advised that the COVID-19 pandemic resulted in significant disruption for public bodies and to auditors of the public sector. It was anticipated that the contract with Audit Scotland as SQA's external auditors would be extended by one-year and this would be confirmed in due course by the Auditor General and the Accounts Commission.

Mr Baxter had discussed the situation with the Convenor and, as per the delegated authority in Standing Orders (11.3.7), the Committee was invited to approve the extension of the contract with Scott-Moncrieff as SQA's Internal Auditors for the period of one year.

The Committee endorsed the one-year extension.

92/15 ANY OTHER BUSINESS

There was no further business raised.

92/16 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 2 November 2020 at 11 am.

The location of the meeting was scheduled for Lowden, however, this would be reviewed nearer the time, and would follow government advice and guidance.

Later: Meeting would take place at the earlier time of 10am and would be held by Microsoft Teams.