

SCOTTISH QUALIFICATIONS AUTHORITY

AUDIT COMMITTEE – STANDING ORDERS

1 Membership and Appointments

- 1.1 The Board established the Audit Committee as a sub-Committee of the Board.
- 1.2 The Committee will comprise a Convenor and at least two members. At least one of the Committee members should have recent and relevant financial experience. The Convenor and members of the Committee will be nonexecutive Board members and will be appointed by the Chair of the Board. These members only will hold voting rights on the Committee. (The term of office tends to be in line with the member's Board appointment and/or at the Convenor and Chair's discretion.)
- 1.3 The Convenor will be a non-executive member of the Board, other than its Chair. For the purpose of enabling the business of the Committee to be conducted in the absence of the Convenor, the Convenor can appoint a Deputy Convenor from its non-executive members.
- 1.4 The Scottish Government has designated the Chief Executive of the Scottish Qualifications Authority as the Accountable Officer for SQA. In their role as Accountable Officer, the Chief Executive will normally attend the meetings of the Committee. The Director of Finance and Corporate Services should also routinely attend the Committee.
- 1.5 The Committee can co-opt additional members for a period of time (not exceeding a year, and with the approval of the Board and/or Accountable Officer) to provide specialist skills, knowledge and experience.
- 1.6 Exceptionally, Board members who are not members of the Committee will have the right of attendance and may participate at the discretion of the Convenor. Board members who are not members of the Committee will not have voting rights.
- 1.7 Other SQA members and representatives from the appointed Internal Auditors and SQA's Appointed Auditor, will normally attend meetings of the Committee. Following good practice, the Convenor of the Committee should meet the Accountable Officer, the Director of Finance, the Head of Internal Audit and the Appointed Auditor outside of the formal Committee meetings.
- 1.8 The Committee may also seek further independent, non-executive membership from sources other than the Board in order to ensure an appropriate level of skills and experience. These members are appointed to the Audit Committee but not to the Board.
- 1.9 The powers of this document provide for the Committee to sit privately without any non-members for all or part of a meeting. Additionally, the Committee will meet privately once a year to consider the Committee's effectiveness.
- 1.10 The Committee will be at liberty to require the attendance, at any meeting of the Committee, of SQA officers as they may require from time to time.

- 1.11 The Committee will be provided with a secretariat function by the Corporate Office, of which a member will attend meetings.

References to Convenor forthwith will apply equally to the Deputy Convenor if their role has been activated.

2 Frequency of Meetings

- 2.1 The Committee will meet for the despatch of business not less than four times per calendar year.

3 Notice of Meetings

- 3.1 In consultation with the Convenor, the Corporate Office will draft a calendar year of meeting dates in advance. These should take account of public and school holidays, and will be published in the papers of the Committee for consideration no later than November of the previous year.
- 3.2 Non-executive members and external attendees will also be informed of each meeting of the Committee by way of letter or email from the Corporate Office. This will be despatched five weeks before the date of the meeting.
- 3.3 Any cancellation or adjournment of a meeting will only be permissible following agreement of the Convenor.

4 Quorum

- 4.1 The quorum necessary for the transaction of business will be the Convenor and two non-executive members.
 - 4.1.1 If, fifteen minutes after the time appointed for the Committee meeting, a quorum is not present, the Convenor may adjourn the meeting to another time.
 - 4.1.2 Notwithstanding 4.1.1 above, where there is not a quorum present at a meeting, the Convenor may determine that the scheduled business be considered informally and any recommendations noted. Recommendations around approvals would not be effective until ratified or amended at the subsequent meeting of the Committee.
 - 4.1.3 If a quorum is not available for the passing of a resolution on any matter, then that matter will not be discussed further or voted upon at that meeting. Such a position will be recorded in the minutes of the meeting.
- 4.2 Decisions at Committee meetings will be made by a majority vote and in the case of an equality of votes, the Convenor will have the casting vote.
 - 4.2.1 In no circumstances may an absent member vote by proxy. Absence is defined as being absent at the time of the vote.

- 4.3 If at any meeting the Convenor is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act, Convenorship will revert to the Deputy Convenor (section 1.3 refers). In the event of a Deputy Convenor having not been appointed, the members of the Committee present will choose one of the non-executive members to be the Convenor of the meeting.
- 4.4 Meetings may be held without members being physically present in the same place, for example, by telephone or video-conference. When a member attends by telephone or video-conference they are counted as being in attendance for the purpose of the quorum.
- 4.5 A quorate meeting will be adjourned if, by virtue of members absenting themselves during proceedings, the number falls below the stipulated quorum. In such events:
- 4.5.1 Unfinished business will be placed on the agenda for the next scheduled meeting of the Committee; or
- 4.5.2 The Convenor and remaining members present may determine that scheduled business is dealt with in accordance with 4.1.2 above.

5 Extraordinary Meetings

- 5.1 This section provides the powers to deal with matters that require approval and cannot await the next ordinary and scheduled meeting of the Committee.
- 5.2 A request for an extraordinary meeting of the Committee can be summoned on the request of the Convenor, or Accountable Officer, or the Appointed Auditor. The necessary quorum applies (Section 4).
- 5.3 The call to convene an extraordinary meeting of the Committee at short notice will be given not less than five clear working days before the meeting and will state the particular business to be transacted. No other business will be competent.
- 5.4 Where possible, meetings will convene at a time and venue suitable to those members who can attend. If necessary, such meetings can be convened through virtual communications.
- 5.5 All powers and duties set out in this document will be applicable equally to an extraordinary meeting.

6 Emergency Procedures

- 6.1 This section allows for the passing of Committee approvals by written procedure. That is, decisions can be taken without calling a physical meeting of the Committee. Such meetings can be convened through virtual communications.
- 6.2 Emergency procedures provide powers for the Committee to deal with matters of urgency that require approval and cannot await the next ordinary, or extraordinary meeting of the Committee.

- 6.3 A request to summon emergency procedures are made to the Convenor and can come from the Accountable Officer or Appointed Auditor. Requests include:
- 6.3.1 A decision required in respect of maintaining a sound system of internal control that supports the achievement of SQA's organisational deliverables; or
 - 6.3.2 A matter that the Accountable Officer or the Appointed Auditor deems is sufficiently urgent.
- 6.4 If, in the opinion of the Convenor, the matter is *not* sufficiently urgent, then the matter will be referred to the next meeting of the Committee, or, the Convenor in consultation with the Accountable Officer, can instigate Standing Order 5.
- 6.5 If the Convenor deems the matter *is* significantly urgent by reason of emergency, and which can be approved in accordance with this Section 6, then this will be carried out in accordance with SQA Board's procedure to deal with matter of urgency and in the context of the Board's procedure for written resolutions.

7 **Conduct of Business**

- 7.1 All meetings will be conducted in accordance with these Standing Orders. Members are bound by the SQA's Code of Conduct for Board Members.
- 7.2 The Convenor will take ownership and lead the Committee in reaching decisions and recommendations. The Convenor will decide on all questions of order, relevancy and conduct of business during the meeting.
- 7.3 *Code of Conduct*
- 7.3.1 Members are required at all times to follow the SQA's Code of Practice pursuant to The Ethical Standards in Public Life etc. (Scotland) Act 2000, SQA's Code of Conduct for Board members, and the SQA Framework Document.
- 7.4 *Declaring interests at Meetings*
- 7.4.1 Members must declare any interest in any matter of the proceedings either at the beginning of the meeting, or as soon as it becomes apparent to them.
 - 7.4.2 Declaring a financial interest has the effect of prohibiting any participation in discussion and voting.
 - 7.4.3 A declaration of a non-financial interest involves a further exercise of judgement on the member's part. A member must consider the relationship between the interests which have been declared and the particular matter to be considered. If a member feels that, in the context of the matter being considered, their involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, then declaring an interest will not preclude their involvement in discussion or voting.

- 7.4.4 If a member is not confident about the application of this objective yardstick, they must play no part in discussion and leave the meeting room until discussion of the particular item is concluded. That person will not vote on any question relating to the matter.
- 7.4.5 If it is the Convenor who holds a conflict of interest, the Accountable Officer should ask another member of the Committee to lead in determining the appropriate course of action.
- 7.4.6 If either an internal or external audit report includes findings associated with the role of the Committee, then that audit report should be passed to the Board for review.

8 Failure to Attend Meetings

- 8.1 Should a member, without reasonable excuse or leave, fail to attend Committee meetings for a period of more than six consecutive months, the Convenor will refer the matter to the Chair of the Board.
- 8.2 The Chair will consider the reasoning for non-attendance and will withdraw membership and reappoint another member as appropriate.

9 Agenda and papers

- 9.1 The agenda for each meeting will follow an agreed programme of work that will incorporate governance reporting, the annual work of SQA's internal auditors, and the annual audit plans for SQA's outsourced internal auditors and External Auditor. This workplan will be presented to and considered by each meeting of the Committee.
- 9.2 The agenda and papers for Committee meetings will be circulated one week before the meeting.
- 9.3 The agenda and papers will be sent to all members of the Committee. An electronic copy will be sent to the Sponsor Department, and also to interested organisations and individuals who have asked to receive them, including SQA's outsourced internal auditors, SQA's external auditors and SQA supporting officers.
- 9.4 Late items for business should be notified to the Corporate Office by no later than five days before the meeting is scheduled to take place. These requests will be included on the agenda at the discretion of the Convenor.

10 Minutes

- 10.1 All business transacted and decisions of the meeting will be recorded by the minute secretary.
- 10.2 The minutes will be published and included in the papers for the next scheduled meeting.

- 10.3 Following approval of the minutes by the Convenor and the Committee, no amendment to the minutes will be permissible without the prior approval of the Convenor.
- 10.4 At the first meeting of the Board following a meeting of the Committee, the Convenor will report to the Board on its discharge of business. A copy of the minutes will also be submitted to the Board for information.

11 **Delegated Authority and Duties of the Audit Committee**

11.1 *Supporting the Board and Accountable Officer*

11.1.1 The Committee is authorised by the Board to provide independent advice and assurance on the efficiency and effectiveness of the internal control, risks, opportunities and issues management systems and governance, and as set out within these Standing Orders. The Board may amend or delegate the functions as it deems appropriate.

11.1.2 The Committee supports the Board and Accountable Officer with regard to their responsibilities for issues of risks, opportunities and issues, control, governance and associated assurance through a process of constructive challenge.

It has no authority in its own right, either over the management of risks, opportunities and issues, control, governance, or over the operations of those bodies which conduct audit and assurance work in the organisation. It can, however, offer opinions or recommendations on the way in which such management is conducted.

11.1.3 The Committee will report annually to the Board and the Accountable Officer providing an independent and objective review of financial systems and reporting, and on processes for risks, opportunities and issues, internal control and governance. This report will reflect the reporting guidance in the Audit and Assurance Committee Handbook issued by the Scottish Government and be timed to support finalisation of SQA's Annual Report and Accounts, including the governance statement.

11.1.4 The Committee will promote ethics and values within the organisation and will monitor compliance with corporate governance and legal directives.

11.1.5 The Committee is authorised to obtain independent professional advice if it considers this necessary. This specialist advice can be procured at the expense of SQA on an ad-hoc basis and the budget for such procurement should be approved by the Board and / or Accountable Officer.

11.1.6 The Committee will bring to the Board's attention, any ultra vires transactions or improper acts.

11.1.7 The Committee will consider any other matters where requested to do so by the Board.

11.2 *Risk Management, Control and Assurances*

- 11.2.1 The Committee will ensure that effective arrangements are in place to provide assurances on risks, opportunities and issues management. This will be considered in line with the SQA's Assurance Framework, as established in partnership with SQA's Internal Auditors. And the Committee will be responsible for reviewing, at least annually, the SQA Assurance Framework.
- 11.2.2 In order to review and monitor the effectiveness of the risks, opportunities and issues management arrangements, at each meeting the Committee will review the corporate risk register, and look for assurances on the adequacy and effectiveness of the control process in place.
 - 11.2.2.1 The Committee is authorised by the Board to review proposed management changes to risks, opportunities and issues scorings, deescalation, and to the addition of any new risks, opportunities and issues . The Committee's views are in turn reported to the Board by means of the Committee minutes.
- 11.2.3 The Committee will draw attention to areas where:
 - 11.2.3.1 risks, opportunities and issues are being appropriately managed (no action needed);
 - 11.2.3.2 risks, opportunities and issues are inadequately controlled (action needed to improve control);
 - 11.2.3.3 risks, opportunities and issues are over controlled (resource being wasted which could be diverted to better use); and/or
 - 11.2.3.4 there is lack of evidence to support a conclusion. If this concerns areas material to the organisation's operations more assurance work may be needed, subject to an assessment of costs and benefits.
- 11.2.4 The Committee will monitor and provide an assurance on SQA's related documented processes by in-house auditors, including the aspects of:
 - 11.2.4.1 internal arrangements supporting the audit plans of SQA's outsourced internal and external auditors;
 - 11.2.4.2 monitor the audits of SQA's Quality standards otherwise referred to as ISO certification - ISO9001 and ISO 27001; and
 - 11.2.4.4 review follow up work and tracking of nonconformances made by Lloyds Register Quality Assurance (LRQA) in association with their surveillance monitoring visits and triennial recertification.

- 11.2.5 The Committee will monitor compliance with corporate governance and legal directives. Amongst other things, this will encompass:
- 11.2.5.1 review of proposed changes to the scheme of delegated authority before presentation to the Board for approval;
 - 11.2.5.2 consideration of the annual report on fraud;
 - 11.2.5.3 consideration of the annual report on procurement activity;
 - 11.2.5.4 consideration of the annual report on information governance;
 - 11.2.5.5 provide assurance to members that information governance is being managed effectively to comply with legislation and implement good practice;
 - 11.2.5.6 review and monitoring of SQA's activity and responses to Audit Scotland National Reports; and
 - 11.2.5.7 bi-ennial consideration of Audit Scotland's report on their data matching exercises (aka, the National Fraud Initiative (NFI)).

11.3 *Internal Audit*

In accordance with the Public Sector Internal Audit Standards, Internal Audit has a responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risks, opportunities and issues management and control processes. Internal Audit activity is outsourced, and internally co-ordinated by SQA.

The Committee will ensure that the Internal Audit service meets, or exceeds the Standards specified by Public Sector Internal Audit Standards and as a minimum, will:

- 11.3.1 approve the annual Internal Audit plan and Internal Audit strategy, including the resourcing requirements; this will include approval of the Internal Audit Charter, which sets out the purpose, authority and responsibilities of the internal audit function (whether in-house or outsourced);
- 11.3.2 consider all Internal Audit reports, the major findings of internal audit investigations and management responses thereto, and monitor the implementation of any remedial programme(s);
- 11.3.3 ensure that the Internal Audit service has an effective quality assurance programme along with an appropriate standing within SQA;
- 11.3.4 ensure a cost-effective service from the Internal Audit services by subjecting the services to regular competitive tendering arrangements;

- 11.3.5 ensure that the Internal Audit service has appropriately skilled, experienced and qualified staff, and that adequate SQA resource is made available to Internal Audit;
- 11.3.6 review the scope of internal controls within SQA; and
- 11.3.7 approve the contract for the provision of, and any extension to, SQA's Internal Audit service.

11.4 *External Audit*

The Audit Committee will confirm to the Board the existence of sound financial systems and accurate reporting by reviewing the extent to which the work of the External (Appointed) Auditor provides an independent assurance of sound financial stewardship, probity, and accuracy in reporting. The Appointed Auditor will also comment upon the arrangements in place to achieve value for money. In doing so, the Committee will undertake the following duties:

- 11.4.1 consider the annual report from the external auditor before presentation to the Board;
 - 11.4.2 review the unaudited SQA Annual Report and Accounts, including any significant changes in accounting policy and then consider the assurance provided by the SQA Annual Report and Accounts (ARA), before recommending approval to the Board; and
 - 11.4.3 review the Appointed Auditor's reports, including value for money reports, audit opinions and report to those charged with governance, and the formal SQA responses thereto.
- 11.5 The Committee will ensure that the Appointed Auditor has the ability to report direct to the Committee, on any matter of seriousness or urgency, and that such professional relationship is maintained and effectively used when required.

12 **Approval and Amendment to the Standing Order**

- 12.1 The Board only has the power to approve, amend or alter any part of these Standing Orders.
- 12.2 These Committee Standing Orders should be reviewed annually alongside the performance of the Committee.