

SCOTTISH QUALIFICATIONS AUTHORITY

A108/2 i

AUDIT COMMITTEE – 26 AUGUST 2024

For approval

Minutes of the one hundred and seventh meeting of the Audit Committee held on Monday 10 June 2024 at 10 am by Microsoft Teams.

Members

- * Ms M Wailes (Convenor)
Ms A Davis
- * Dr W Mayne
- * Prof K Thomson

SQA Officers

- * Mr A Dickson
- * Mr J McMorris
- * Ms Y Raven
- Ms F Robertson
- * [REDACTED]

* indicates present

In attendance

[REDACTED], Audit Scotland
[REDACTED], SQA
[REDACTED], Grant Thornton (until A107/7)
Mr M Campbell, SQA
[REDACTED], SQA (A107/6 – A107/7)
[REDACTED], SQA
[REDACTED], Audit Scotland
[REDACTED], Audit Scotland
Ms S Rogers, SQA Chair
[REDACTED], SQA

107/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one hundred and seventh meeting highlighting that it was last meeting for Dr Mayne with her tenure drawing to end on 14 August 2024. A welcome was also extended to the SQA Chair, Ms Rogers, and colleagues from Audit Scotland and Grant Thornton.

Since the last meeting, [REDACTED] had retired from SQA and on behalf of the Committee, the Convenor acknowledged the support she had provided. [REDACTED] had been appointed as the Internal Audit Manager and was welcomed to his first meeting of the Committee.

She went on to advise that following a realignment of functions and areas of responsibility the Corporate Planning and Information Governance teams had moved

into the Business Development Directorate, which was renamed Corporate Strategy and Business Development to reflect this. As a result, Mr McMorris would become an officer of this Committee.

Apologies for absence were received from Ms Davis, the Chief Executive and [REDACTED] from Grant Thornton.

There were no conflicts of interest declared.

107/2 PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the one hundred and sixth meeting of the Committee, held on 4 March 2024 were approved as an accurate record.

ii Action Grid

The Committee noted the closure of two actions, and one remained under development.

iii Workplan

It was highlighted that following the changes to the reporting timetable by Audit Scotland on the Annual Report and Accounts (ARA) it was agreed that the unaudited version would be postpone until the August meeting. This would enable the Committee to review the completed unaudited report prior to the final draft being presented at the November meeting for endorsement before submission to the SQA Board at the meeting on 27 November 2024.

The Committee noted the contents of the workplan.

107/3 MATTERS ARISING

There were no matters arising.

107/4 INTERNAL AUDIT ACTIVITY – GRANT THORNTON

i Follow-up Report

[REDACTED] presented the report for the period to June 2024 that provided a summary of the progress made by SQA in implementing previous internal audit recommendations.

The Committee noted that Grant Thornton had validated and closed eleven internal audit actions and 18 internal audit actions were not yet due for implementation. Grant Thornton confirmed that there were no concerns over the revised dates for the eight internal audit actions that had passed the original due dates.

Discussion led to overdue actions and Grant Thornton confirmed that typically there was not a lot of changes made to due dates, and any that did were always discussed with SQA to ensure they remained reasonable. Mr Dickson

took the opportunity to remind the Committee of the current action to develop a report that would track when dates changed and how often, providing additional assurance to the Committee.

The Committee welcomed the assurance provided by the report.

ii **Internal Audit Report – IT Strategy Review**

██████████ presented the report that evaluated the effectiveness, risk management and compliance of SQA's current information technology (IT) approach, including bench marking against industry best practices. It was highlighted that the analysis focused towards evaluating the planned strategic initiatives part of the new IT Strategy rather than assessing the effectiveness or compliance of SQA's current IT systems, processes, and controls in place. The approach was chosen to enable SQA to identify and implement any necessary improvements and help guide the evolution of SQA's proposed IT Strategy, ensuring it aligned effectively with both immediate and long-term business goals and strategic objectives.

The audit identified six low rated findings that enabled Grant Thornton to provide reasonable assurance. It was noted that there were detailed management responses to the findings, and that all had been proposed to close with a further audit review to be conducted in 18 – 24 months to assess SQA's IT Strategy maturity. This would provide the Committee with the assurance that the strategy had been implemented and to what extent of success.

Mr Campbell welcomed that the focus of the audit had been on a strategy at its inception, and the findings had provided valuable recommendations that would enable SQA to establish best practice for the future.

Given that the success of strategy was crucial for the new organisation, the Convenor suggested that it could be beneficial for the Performance Committee to monitor due to its remit. It was noted that she would discuss with Ms Davis, as Convenor of the Performance Committee.

The Committee noted the report.

iii **Internal Audit Report – SQA's Internal Audit Annual Report 2023-24**

██████████ presented the report that summarised the key findings and conclusions from the internal audit work undertaken by Grant Thornton at SQA during 2023-24. Ten reviews had been completed, and management had accepted all the 42 findings that were identified.

██████████

Redacted - section 30 Prejudice to the Effective Conduct of Public Affairs

In closing, the Committee noted that Grant Thornton were able to provide 'reasonable assurance with some improvement required' on the overall

adequacy and effectiveness of SQA's framework of governance, risk management and controls.

107/5 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

Mr Dickson presented the report that detailed progress of SQA's Internal Audit in the last quarter, and outlined the work scheduled to take place in the next quarter. He highlighted that the KPI continued to be reported at amber due the rolling twelve-month period and had increased from 19% to 22%. The Committee were reminded that there was a review underway of the KPI mechanisms for 2024-25 and it was anticipated that this would solve the lagging nature of the KPI and provide a suitable dashboard.

Discussion led to the overall report and the Committee agreed that incorporating reasoning behind any slippage and the consequences associated would be beneficial to identify any risk hotspots. Value-added analysis on the audits would also be beneficial to close the loop on the risk environment. This would enable the Committee to consider the nature of movements and if there was an increase to the overall risk profile, which could then be reported to the SQA Board, if required.

The Committee noted the balance of audits in 2024-25 was to ensure internal controls, including governance and financial processes were operating effectively, whilst also confirming that the systems and processes were robust for the transition to the new organisation. Management was comfortable with the balance of audits and it was noted that this would be kept under review.

The Committee noted the contents of the report.

ii Internal and External Audit Tracker Reports

The Committee noted the contents of the reports.

iii Audit Scotland's National Reports

██████████ provided an overview of SQA's activity and responses to Audit Scotland National Reports published between November 2023 to April 2024. During the period, four reports were identified and reviewed by Executive Management Team (EMT), with all proceeding to relevant Directorates for further review.

The Committee noted that 'Environment, sustainability, and biodiversity annual report 2022-23' provided an update on how Audit Scotland was developing its approach to auditing climate change. Given the increasing Public Bodies Climate Change Duties reporting requirements, it was suggested that SQA consider its wider responsibilities, particularly around qualifications developed in this area.

The Committee noted the contents of the report.

iv **SQA's Internal Audit Annual Report 2023-24**

Mr Dickson presented the report that provided an annual assurance statement from the Finance and Corporate Services Directorate on the internal audit activity for 2023-24.

A total of 109 Management Actions, from all internal and external audits were identified over the period and it was noted that the increase over the previous year was due to the higher number of ISO audits undertaken due to delayed audits from 2022-23. Sixty-seven actions were fully implemented and closed over the period to strengthen SQA's controls further whilst adding to the continuous improvement across processes and procedures.

During discussion, it was enquired why out of nine trained in-house ISO auditors only three had been available to be deployed on audits during the year. The Committee was assured that all planned ISO audits had been completed and noted that whilst individuals would be released from their substantive roles, it was a volunteer role.

The Committee noted the report.

107/6 RISK MANAGEMENT

i **2023-24 Q4 Corporate Risk Register and Risk, Opportunity and Issues Report**

Welcomed to the meeting was [REDACTED].

[REDACTED] provided a detailed overview of the quarterly Risks, Opportunities, and Issues (ROI) report highlighting that there was an increase in overall ROI this quarter due to new risk reporting processes put in place by the Business Development and Operations Directorates. As a result, there had been some movement in the appetite across SQA and the overall risk profile remained high.

The Committee noted that the number of opportunities continued to increase, however there was no further information regarding what these were and whether they had been fulfilled. It was agreed that this would be valuable to consider the information and the associated risk appetite particularly if they become missed opportunities, whether at this Committee or the SQA Board.

Discussion led to SQA's challenging financial situation and with the current constraints the Committee stressed the importance that every opportunity should be carefully considered.

The Committee was reminded that following a suggestion at the SQA Board earlier this month, a discussion on SQA's appetite for risk and the balance of risks had been pencilled into the workplan.

[REDACTED] went on to present the Q4 Corporate Risk Register (CRR) and the Committee were requested to endorse some changes following endorsement by the Risk and Opportunities Group:

- *23CRR75R – Risk was associated with the parameters of the 2023-24 public sector pay policy not being acceptable to trade unions and staff in the current economic climate which could lead to protracted pay negotiations and ultimately poor morale, increased resignations, increased sickness absence and further industrial action.*

It was proposed to close the risk as a two-year pay proposal had been accepted.

The Committee endorsed the closure of the risk.

- *23CRR771 – Risk was associated with Educational Institute of Scotland (EIS) and FE Lecturers Association (FELA) action short of strike, with potential impact to accurate certification in August and Learners unable to progress.*

It was proposed to de-escalate and return the risk to the HNVInt ROI as Post score 'Impact' reduced from 50 to 25 following the establishment of a short life working group that continued to closely monitor the situation.

Following consideration, the Committee agreed that it was premature to deescalate the risk as there continued to be consequences for learners.

ii **Risk, Opportunity & Issues Management Policy**

██████████ provided an overview of the minor changes to SQA's Risk, Opportunity and Issues Management Policy. She highlighted that it was anticipated that there would be a significant update of the policy following the implementation of the Promapp Risk Tool in July 2025.

Whilst the Committee had been provided with a detailed Policy Change Log, it was requested that a full version history for reference was provided.

Following consideration, the Committee endorsed the policy changes, however, requested that it be brought back to the November meeting when the risk appetite would be reviewed as part of the annual Risk Workshop.

██████████ and ██████████ left the meeting.

107/7 ANNUAL FRAUD REPORT 2023-24

Mr Dickson presented the 2023-24 Annual Fraud Report which highlighted that through a centre malpractice investigation potential financial irregularity against third parties out with the scope of SQA's responsibilities had been identified. Following consideration by the Fraud Response Group the matter had been referred to the relevant authorities for further investigation.

The Committee noted the report.

107/8 INFORMATION GOVERNANCE ANNUAL REPORT 2023-24

Ms Raven presented in detail the report that provided the Committee with assurances that information governance had been managed within SQA during 2023-24.

The Committee noted the contents of the report and commended that SQA complied with legislation and had good turnaround times in response to requests for information despite the continued pressures faced across the organisation.

107/9 ANY OTHER BUSINESS

Wendy Mayne

In closing the meeting, the Convenor took the opportunity to thank Dr Mayne for the support she had personally provided to her since she joined the SQA Board. On behalf of the Committee, the Convenor thanked her for her time, commitment and contributions to the Committee.

107/10 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 26 August 2024 and would be held by MS Teams.