SCOTTISH QUALIFICATIONS AUTHORITY   A111/2 i

AUDIT COMMITTEE – 16 JUNE 2025   For approval

Minutes of the one hundred and tenth meeting of the Audit Committee held on Monday 10 March 2025 at 10 am by Microsoft Teams.

Members

* Ms M Wailes (Convenor)
* Ms A Davis
  Mr R Erskine
* Prof K Thomson

SQA Officers

* Mr J Booth, Interim Chief Executive
* Mr A Dickson
* Mr J McMorris
* Ms Y Raven
* Mr D Walsh

* indicates present

In attendance

████████, SQA
████████, Grant Thornton
Mr M Campbell, SQA
████████, SQA
████████, Audit Scotland
████████, Grant Thornton
████████, SQA
Ms S Rogers, SQA Chair (A110/1 -5)
Mr M Ware, SQA (A110/1 - 4 iv)

110/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone at the one hundred and tenth meeting, particularly Mr Declan Walsh, Director of Finance, to his first meeting, and Mr John Booth, in his new role as Interim Chief Executive.

Apologies for absence were received from Mr Erskine and ████████ from Audit Scotland.

There were no conflicts of interest declared.

110/2 PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the one hundred and ninth meeting of the Committee, held on 18 November 2024 were approved as an accurate record.

ii Action Grid

The Committee endorsed the closure of two actions.

It was noted that the one on-going action was around the annual review of the Committee's performance, which had been postponed from the November 2024 meeting, as it had been the first meeting for Mr Erskine. He had not been able to attend the meeting today, therefore this had been postponed until the June 2025 meeting.

iii Workplan

The Convenor reminded the Committee that the annual review of performance of the Committee had been postponed from the last meeting as it had been the first meeting for Mr Erskine, however, due to Ms Walies recent absence it was postponed until the next meeting.

It was anticipated that the reporting timetable by Audit Scotland on the Annual Report and Accounts (ARA) would be similar this year. The Committee noted that the workplan would be reviewed regularly to ensure it remained feasible as SQA transitioned to Qualifications Scotland.

The Committee noted the contents of the workplan.

110/3 MATTERS ARISING

The Interim Chief Executive confirmed that the recent security breach on the SQA Secure platform was due to unauthorised use of login credentials at a single center and not a cyberattack. The centre's access to SQA Secure had been suspended and an investigation was underway. A full report would be provided to SQA's Qualifications Committee in due course.

SQA's Incident Management Team (IMT) was invoked, and the Committee was assured that the methodology for responding to the incident was effective.

110/4 INTERNAL AUDIT ACTIVITY – GRANT THORNTON

i Follow-up Report

███████████ presented the report for the period to February 2025 that provided a summary of the progress made by SQA in implementing previous internal audit recommendations. It was noted that Grant Thornton had validated and closed 14 internal audit actions during that period. It was confirmed that there were no concerns over the revised dates for the ten internal audit actions that had passed the original due dates.

Continuing the discussion from the last meeting around actions that had been open for a while, and the transition to Qualifications Scotland, the Committee enquired at what point would it be appropriate to question whether the risk landscape had shifted enough to warrant a reassessment to evaluate whether the original risk still applied or if new risks had emerged to ensure controls remain relevant and effective. Grant Thorton confirmed that there was regular dialogue with SQA, and the Committee was reassured that there were no concerns that any of the actions had any significant risk. A comprehensive review of all internal audit actions would be conducted later in the year.

The Committee emphasised the importance of audits, particularly during the transition, as they were crucial in ensuring robust governance, effective risk management, and strong control processes essential for a smooth and successful transition.

The Committee welcomed the assurance provided by the report.

ii   **Internal Audit Progress Report**

██████████ provided an overview of the progress against the 2024-25 Internal Audit Plan, highlighting the completion of two reviews that would be presented next (A111/4 iii – iv refers).

The plan for the remaining three audits had begun, there had been some delays to timescales due to competing priorities within SQA and the departure of the Chief Executive. It was anticipated that the remaining audits would be presented to the next meeting and the Committee requested to be informed of any further delays with the remaining audits.

Grant Thornton confirmed that, at present, there was no impact on the end-of-year internal audit opinion.

It was highlighted that the planning for the 2025-26 Internal Audit Plan was underway. There were ongoing discussions with SQA to ensure that the transition and related risks were integrated into the plan to ensure that it adequately reflected emerging risks and provided the relevant assurance.

Disucssion led to the departure of the Chief Executive highlighted the need to formally acknowledge this event as a significant strategic risk due to its potential impacts. Adding it to the Corporate Risk Register (CRR) ensured proactive monitoring and management, allowing the organisation to implement contingency plans and mitigate any adverse effects during the transitional period. Although expected to be short-term, formal recognition would highlight the importance of robust risk governance and preparedness in maintaining strategic resilience.

The Committee noted the report.

iii   **Internal Audit – International Benchmarking**

██████████ presented the report that assessed the adequacy of the design and operating effectiveness of controls in place for International

Benchmarking arrangements. The audit identified two medium and two low rated finding, enabling Grant Thorton to provide a partial level of assurance with improvement required.

The Committee noted the key issues identified in the audit, concurred with management's recognition that the relatively new Research and Evaluation Team had made notable progress, and appreciated that the audit validated their efforts while highlighting opportunities for further improvement, particularly in formalising processes and enhancing publication and learning mechanisms to bolster governance and overall effectiveness.

The Committee welcomed the development of an annual research program, recognising it was a valuable and dynamic document that could be updated with new research requests as organisational needs evolved, thereby enhancing strategic planning and responsiveness. The Committee emphasised that SQA's research capability should be recognised as a key strength, with the potential to significantly benefit the wider education system by offering valuable insights, guiding informed decision-making, and fostering ongoing improvements across multiple sectors.

The Committee noted the report.

iv   Internal Audit – Business Systems and Transformation IT Controls Review: ISO/IEC 27001:2013

███████████ presented the report that assessed the adequacy of SQA's compliance with selected ISO 27001:2013 Annex A controls to identify gaps, evaluate the effectiveness of current controls in safeguarding information assets, and provided recommendations for enhancing SQA's information security posture. The audit identified two high, four medium and three improvement rated findings that enabled Grant Thorton to provide a partial level of assurance with improvement required.

It was highlighted that ISO 27001:2013 had been deprecated following the release of ISO 27001:2022, which introduced updated controls and a revised framework to better address current cybersecurity challenges. While compliance with the 2013 version no longer ensured adherence to the 2022 controls, the report's inclusion of recommendations aligned with ISO 27001:2022 highlighted the importance of updating security practices to meet the latest standards, ensuring SQA's cybersecurity measures remained current and effective against evolving risks.

The Committee emphasised the importance of clear, assertive language in the audit report to demonstrate that SQA was committed to actively ensuring compliance rather than merely considering actions. It was recommended to review and update the wording to reflect a definitive stance that SQA would implement necessary measures, avoiding language that could be perceived as non-committal or an excuse for inaction. The goal was to balance clarity and accountability, ensuring resources were used effectively without unnecessary administrative overload.

The Committee noted the report.

Mr Ware left the meeting

110/5 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

Mr Dickson presented the report on SQA's Internal Audit progress for the last quarter that indicated whilst the KPIs remained steady at 22%, it continued to be rated amber due to the rolling twelve-month period, reflecting consistent performance levels.

The Committee emphasised the importance of scrutinising overdue actions and encouraged managers to challenge their relevance regularly to ensure that they stayed pertinent and effective in addressing the underlying.

The Committee noted the contents of the report.

ii Internal and External Audit Tracker Reports

Internal Audit Tracker Report

As previously reported (A110/4 i refers) 14 internal audit actions had been validated and closed by Grant Thornton. The following internal audit action was covered during discussion:

- 209.1 (Qualifications Development Management Information internal audit)

  The Committee noted that management acknowledged manual spreadsheet management was suboptimal and recognised that developing a new database was the ideal solution; however, due to competing priorities and resource constraints, particularly with this not being a current priority in the Digital Awarding programme, the development had experienced delays.

- 186.1 (Stakeholder Engagement internal audit)

  In response to the query regarding the CRM system, it was highlighted that when the digital platform was established, an add-on was planned to be integrated subsequently.

The Committee noted the contents of the report.

External Audit Tracker Report

- Best value themes (Audit Scotland report)

  The Committee challenged the realism of the deadline amid ongoing resource constraints. In response, ▮▮▮▮▮▮▮▮ advised that while other organisations faced similar challenges, compliance with the Scottish Public Finance Manual (SPFM) was mandatory, and SQA must demonstrate clear alignment and compliance with these standards.

The Committee noted the contents of the report.

Discussion led to resource constraints, with the Committee noting that it was impacting various areas across the business and making prioritisation challenging. Although not listed as a specific risk on the CRR, these constraints were included in the funding risk for 2025–26 (25CRR87R refers) ensuring it was acknowledged within the wider risk management framework. To maintain ongoing assurances to the SQA Board, the Committee recommended that priorities be re-evaluated, with particular attention to issues related to transition and reporting, ensuring continued focus and alignment with strategic objectives.

The Committee expressed its sincere gratitude to all for their dedication and resilience amidst resource constraints, recognising the collective effort in maintaining business as usual, as well as progressing with transition and transformation initiatives despite these ongoing challenges.

The SQA Chair left the meeting.

110/6 RISK MANAGEMENT

i 2024-25 Q3 Corporate Risk Register and Risk, Opportunity And Issues Report

█████████████ provided a detailed overview of the quarterly Risks, Opportunities, and Issues (ROI) report highlighting that in Q3 253 ROIs had been reported, with the highest ROI categories were Operational, People Resource, and Information Security. SQA's appetite was varied, with the majority balanced or cautious, and the risk profile remained high.

The discussion highlighted that there were 24 active opportunities in Q3, a slight reduction from Q2, mainly due to more closures and fewer new opportunities being added. The average time these opportunities remained on the register was six quarters, indicating some long-standing initiatives, with about 67% having been realised with benefits achieved. The Committee welcomed that closures had documented reasons, demonstrating effective tracking and management of these opportunities.

█████████████ went on to present the Q3 CRR and the Committee were requested to endorse some changes following endorsement by the Risk and Opportunities Group:

- 24CRR81I - Issue associated with SQA not being funded to achieve its strategic objectives expected within the Budget Allocation and Monitoring (BAM) letter for the 2024-25 financial year.

- 24CRR83R - Risk associated with SQA not being fully funded to undertake planned operational activities aligned to its Medium-Term Financial Plan.

  It was proposed to close the issue and risk since the Scottish Government had confirmed the final funding for 2024-25, with the Budget Allocation and Monitoring (BAM) letter issued.

It was highlighted that future risks would be monitored through a new risk (25CRR87R), which, pending endorsement, would be added to the CRR.

Following consideration, and assurance, the Committee endorsed the closure of the issue and risk.

- 25CRR87R - New

  A new risk had been proposed to address SQA's potential failure to secure full funding for 2025-26 due to ongoing uncertainties around budget confirmation and possible shortfalls. This new risk was identified as a replacement for the previously endorsed issue and risk that had now been closed, ensuring that the register accurately reflected current financial threats.

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

The Committee proceeded to discuss the contents of the CRR, noting that there were no CRR status changes, de-escalation or escalation requests this quarter.

- 14CRR14R - Risk associated with SQA's inability to fully understand product development and operational costs and profitability of activities.

  It was noted that a high-level average product cost had been established, which would inform assessments of potential products, and that Phase 2 of the project would involve a bottom-up analysis of product costs to better understand expenses for more complex offerings.

  While comprehensive cost breakdowns and allocation models had been developed further progress was needed before meaningful discussions with the Scottish Government about product delivery costs could take place.

Building on the previous discussion (A110/4 ii Internal Audit Progress Report refers) regarding the Chief Executive's departure and the associated significant risk, despite its anticipated short-term nature, the Committee endorsed that this risk should be formally added as a new risk to the register.

ii   Promapp Risk Tool

Ms Raven assured the Committee that the Promapp project remained on schedule for its May launch; however, after thorough analysis, it was determined that the Promapp risk tool, purchased as an add-on, was unsuitable for SQA's current needs due to its manual processes and the deletion of risks once mitigated.

It was highlighted that procurement colleagues were reviewing the contract to explore the possibility of obtaining reimbursement, as assurances had been provided that the risk tool would meet SQA's requirements.

110/7 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND: DRAFT ANNUAL AUDIT PLAN 2024-25

███████████ presented in detail the Annual Audit Plan 2024-25 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, for the year ending 31 March 2025 and the intended approach to issues impacting SQA's activities in that year. He highlighted that although the 2024-25 audit timetable was still to be confirmed, it was expected to follow a similar schedule to last year, and this would be confirmed in due course.

There was discussion regarding the audit period, considering SQA's transition to Qualification Scotland later in the year, with ongoing discussions on whether to conduct an 18-month audit covering the transition or proceed with a regular annual audit. The final decision remained unclear and further discussions with Audit Scotland would determine the best approach, and the Committee would be updated in the near future.

In response to a query regarding additional reporting requirements stemming from the EU's Corporate Sustainability Reporting Directive (CSRD), reassurance was provided to the Committee that, as part of the audit, Audit Scotland would verify that all legislative requirements had been appropriately met.

The Committee noted Audit Scotland's Annual Audit Plan 2024-25.

110/8 ANY OTHER BUSINESS

There was no further business raised.

110/9 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 16 June 2025 and would be held by MS Teams.