

SCOTTISH QUALIFICATIONS AUTHORITY

A104/2 i

AUDIT COMMITTEE – 28 AUGUST 2023


For approval

Minutes of the one hundred and third meeting of the Audit Committee held on Monday 12 June 2023 at 10 am by Microsoft Teams.

Members

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

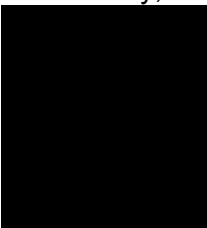
SQA Officers

- * Mr M Baxter
Ms F Robertson
- * Mr A Dickson
- * 
- * Ms Y Raven

* indicates present

In attendance


Mr S Borley, SQA

 , SQA
, Grant Thornton
, Grant Thornton
, SQA
, Audit Scotland
, SQA (A103/9 – A103/12 only)

Mr D Middleton, SQA Chair

103/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one-hundred and third meeting, including Mr David Middleton, SQA Chair and colleagues from Audit Scotland and Grant Thornton.

Apologies for absence were received from the Chief Executive and  from Audit Scotland.

There were no conflicts of interest declared.

103/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the meeting held on 13 March 2023 were approved as an accurate record by the Committee.

ii **Action Grid**

The Committee noted the closure of six recorded actions.

iii **Workplan**

It was highlighted to the Committee that Audit Scotland would not produce an Interim Management Letter this year. ██████████ confirmed that there was no change to the audit work necessary to allow Audit Scotland to provide an independent auditor's report and meet the wider scope requirements of public sector audit. While continuing, there was nothing of substance at present and if there were, this would have been flagged to SQA.

The Committee noted the contents of the workplan.

103/3 **MATTERS ARISING**

There were no matters arising.

103/4 **INTERNAL AUDIT ACTIVITY – SQA**

i **SQA Internal Audit Work Report**

The Committee noted that the KPI continued to be reported at amber due the rolling twelve-month period, however, this had decreased from 26% to 22%, and that progress continued to be made with nine internal audit actions closed.

There was discussion on the KPI mechanisms and the progress to close internal audit actions given SQA's capacity being used for reform work and the ongoing need to maintain continuity of business delivery. It was explained that the lagging nature of the KPI was driven by a rolling 12-month period and the number of internal audit actions added at each quarter would impact this. Realistic timescales for internal audit actions were agreed by lead Directors and management was dedicated to continuing to address all internal audit actions. The Committee welcomed the assurance provided.

There was further discussion on number of audits planned for 2023-24, both for internal and ISO audits, given the already pressured resource within SQA. The Committee was reassured that management had reviewed and endorsed the audits plans. There was a balance 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 were comfortable with the balance of audits and would keep this under review.

The Committee noted the contents of the report.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

As previously reported (A103/4 i refers), nine internal audit actions had been validated and closed by Grant Thornton. Seventeen internal audit actions

remained on track, with one amber and one red rated. The following internal audit actions were covered during discussion:

- 186.2 - 1.1 Stakeholder engagement strategy (Stakeholder Engagement internal audit)

The Committee noted that following the audit it had been identified and agreed that there would be a wider programme to transform audience engagement and the reform of SQA's stakeholder research programme. Given the increased work, the original completion date had to be reviewed.

- 186.1 – 1.1 Stakeholder engagement strategy (Stakeholder Engagement internal audit)

In response to an enquiry on the unassigned target date, it was advised that the action was dependant on the creation of a Customer Relations Management system. A business case had been submitted, however, had previously not been selected as part of SQA's business proposal priority list in 2022-23. SQA's Portfolio Board had met recently and had identified the business case as priority for successful implementation of the reform programme and it was anticipated that updates on the progress would be provided from the next meeting.

- 192.1 - 1.1 Software Asset Management Lifecycle (Software Asset Management internal audit)

An enquiry on the contingency action being taken was requested and it was agreed that a response from the Business Systems Directorate would be sought and communicated to the Committee.

The Committee noted the contents of the report.

External Audit Tracker Report

The Committee noted that there were three external audit actions on track and seven Audit Scotland external audit actions awaiting closure. It was highlighted that these would usually have been validated and closed through Audit Scotland's Interim Management letter, however, as previously reported this would not be produced this year (A103/2 iii refers). These external audit actions would remain on the tracker until validated and closed through Audit Scotland's Annual Audit Report.

The Committee noted the contents of the report.

iii **Audit Scotland's National Reports**

██████████ provided an overview of SQA's activity and responses to reports published between November 2022 to May 2023. During the period, three reports were identified and reviewed by the Executive Management Team (EMT), that then proceeded to relevant Directorates for further review.

The Convenor welcomed the process in place and the good practice of disseminate the reports through the organisation.

The Committee noted the contents of the report.

iv **SQA's Internal Audit Annual Report 2022-23**

Mr Dickson presented the report that provided an annual assurance statement from the Finance and Corporate Services Directorate on the internal audit activity for 2022-23.

A total of 72 Management Actions had been agreed, with 77 implemented to strengthen SQA's controls further whilst adding to the continuous improvement across processes and procedures.

The Committee noted the report.

103/5 **INTERNAL AUDIT ACTIVITY – GRANT THORNTON**

i **Internal Audit Progress Report**

██████████ provided an overview of the progress against the 2022-23 Internal Audit Plan, highlighting that since publication the draft report for the Management of ODS Contracts audit had been issued and that the fieldwork for the Fixed Assets & Prepayments audit had been completed.

The Committee noted the contents of the report.

ii **Follow-up Report**

██████████ presented the report for the period to June 2023, which validated the previous two reports (A103/4 i and ii refers). He advised that there was an error within the report regarding the number of actions overdue more than three months and that only two should be reported.

The Committee noted the contents of the report.

iii **Internal Audit Report – SQA's Internal Audit Annual Report 2022-23**

██████████ presented the report that summarised the key findings and conclusions from the internal audit work undertaken by Grant Thornton at SQA during 2022-23.

The Committee was pleased to note that no control objectives had been assessed at red and welcomed that Grant Thornton had considered the current environment of change and uncertainty in SQA.

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 control.

103/6 **RISK MANAGEMENT**

i **2022-23 Q4 Corporate Risk Register and Risk, Opportunity and Issues Report**

██████████ presented in detail the outcomes of the Risk and Opportunities Group (R&OG) that reviewed the Q4 Corporate Risk Register (CRR) and quarterly Risks, Opportunities, and Issues (ROI) report. SQA's overall risk profile remained high, and trend data remaining consistent to previous quarters. The R&OG had raised concerns around the reduction of opportunities recorded Q4 2022-23 in versus Q4 2021-22, and this would be discussed further at the next R&OG meeting. Discussion around opportunities data took place and it was noted that was a difficult area to report on as it remained a manual process.

The Committee would have been requested to endorse escalation today regarding the delay in the Scottish Government confirming SQA's budget for 2023-24, however, Mr Baxter was pleased to report that £6.4m of the request had been approved by the Scottish Government, and the 2023-24 Budget Allocation and Monitoring letter would follow. Education Reform funding allocation had still to be resolved with the Scottish Government.

The current status of the CRR that had been reviewed by the R&OG and then endorsed by EMT was presented to the Committee, including proposals on some risks since the last meeting.

Risk 21CRR61R – Risk was around the Scottish Government announcement to replace SQA and implementation of recommendations outlined within Muir review colleagues were disengaged, demotivated and concerned about job security.

It was proposed to de-escalate the risk from the CRR and manage through the People Directorate ROI register based on the comparable data year on year it could be established that the original concern and risk had not come to fruition.

Whilst the risk had been through internal governance groups, the Committee were concern about the de-escalation given that the risk was linked to the SQA/Scottish Government risk register. The Committee was reassured that the residual risk would continue to be monitored and should the data change, the risk could again be escalated back to the CRR.

Following discussion, the Committee agreed that the risk should be retained on the CRR at this stage and the position reviewed in Q1.

- Risk 21CRR62R - Risk was around the Scottish Government announcement that SQA was no longer considered an attractive place to work there was a risk we would be unable to attract key talent and could see a reduction in job applicants.

It was proposed to close the risk because there had been a rise in the number of applicants compared to the same period in the previous year and an increase in the number of promoted posts within the organisation. Data would continue to be monitored regularly by the People Directorate.

Following discussion, the Committee agreed that it was premature to close given the continued uncertainty around the reform programme. The risk should be retained on the CRR and the position reviewed in Q1.

- Risk 21CRR63R - Risk was around if SQA colleagues, management and Trade Unions views were not sought or taken into consideration in Professor Muir and Professor Hayward's work colleague views, experience, expertise and knowledge would not inform the process which could result in an increase in resignations, impacting the ability to establish a new successful organisation.

It was proposed to close the risk because the review programme had now moved beyond the input stage.

Following discussion, the Committee endorsed the risk closure.

- Risk 21CRR64R - Risk was around if SQA colleagues were 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 and SVQ, HN Next Generation, commercial contracts this could lead to additional work for already overworked colleagues. Potential breaches in the working time directive, poor staff morale, impact on wellbeing, increased absence, resignations and Trade Union unrest.

It was proposed to de-escalate the risk from the CRR and manage through the People Directorate ROI register based on the results of the 2022 People Survey the original concerns had not come to fruition.

Similarly, to Risk 21CRR61R the Committee agreed that the risk should be retained on the CRR at this stage and the position reviewed in Q1.

- Risk 22CRR73R - Risk was around current technology (QAMS) to support HNVQ Quality Assurance was inflexible, unstable and built on a difficult to support platform.

It was proposed to de-escalate the risk from the CRR and manage through the Operations Directorate ROI register and managed a through a business proposal.

The Committee endorsed the de-escalation from the CRR.

- Risk 22CRR74R - Risk was around running three different QA processes (normal, CASS, HN Next Gen) would lead to confusion internally and externally.

It was proposed to de-escalate the risk from the CRR and manage through the Operations Directorate ROI register and managed a through a business proposal.

The Committee endorsed the de-escalation from the CRR.

- Issue 22CRR771 Escalation request

It was proposed to escalate an issue in relation to the Educational Institute of Scotland (EIS) and FE Lecturers Association (FELA) action short of strike from 2 May 2023, with potential impact to accurate certification in August and Learners unable to progress. SQA Incident Management Team had been invoked to manage issue.

The Committee endorsed the escalation of the issue.

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

The Committee had been provided with a detailed cover paper explaining the revisions to SQA's Risk, Opportunity and Issues Management Policy.

The Committee suggested some minor amendments to the narrative to ensure clarity and endorsed the remit of the Risk, Opportunity and Issues Management Policy to the SQA Board for approval.

103/7 **ANNUAL FRAUD REPORT 2022-23**

As Fraud Response Co-ordinator, Ms Raven, presented the 2022-23 Annual Fraud Report which highlighted no new frauds were identified.

The Committee were reminded that a suspected centre malpractice case was outside SQA's scope had been reported to the relevant authorities. The case had been discussed at an SQA Board meeting and as per the Anti-Fraud Policy, all procedures had been carried out appropriately.

The Committee welcomed the reassuring report.

103/8 **INFORMATION GOVERNANCE ANNUAL REPORT 2022-23**

Ms Raven presented the report that provided the Committee with assurances that information governance had been managed within SQA during 2022-23.

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.

103/9 **UNAUDITED ANNUAL REPORT & ACCOUNTS 2022-23**

[REDACTED], was welcomed to the meeting.

Mr Baxter reminded the Committee that the Annual Report and Accounts were divided into three sections, and it was noted that Section A (Performance Report) was discussed at the Performance Committee at its meeting in May.

He went on to provide an overview of the draft Section B (Accountability Report) and Section C (the unaudited Annual Accounts 2022-23). The Committee had also been provided with a detailed cover paper, which had highlighted the key points and explained any amounts beyond that covered in the notes to the accounts. It was highlighted that following guidance from Audit Scotland the pensions calculations required further scrutiny, with SQA awaiting direction from the Scottish Government. It was anticipated there would be a significant adjustment.

The Committee suggested a number of minor textual amendments to Section B and C of the unaudited Annual Report and Annual Accounts 2022-23.

103/10 NATIONAL FRAUD INITIATIVE IN SCOTLAND - SELF-APPRAISAL CHECKLIST

Mr Dickson advised that Audit Scotland guidance indicates that the National Fraud Initiative (NFI) self-appraisal checklist should be reviewed by the Audit Committee, or equivalent, and staff leading the NFI process to ensure that planning, approach, and progress during the next NFI exercise is appropriate. The checklist was completed with suggestions for improving efficiency and effectiveness of the annual process taken on board.

The Committee welcomed that the exercise was undertaken and would facilitate the auditors to assess fraud prevention arrangements in SQA.

103/11 ANY OTHER BUSINESS

There was no further business raised.

103/12 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 28 August 2023 and would be held by MS Teams.