

## SCOTTISH QUALIFICATIONS AUTHORITY

A103/2 i

### AUDIT COMMITTEE – 12 JUNE 2023

For approval

Minutes of the one hundredth and second meeting of the Audit Committee held on Monday 13 March 2023 at 10 am by Microsoft Teams.

#### Members

- \* Ms M Wailes (Convenor)  
Ms A Davis
- \* Dr W Mayne (A101/6 onwards)  
Prof K Thomson

#### SQA Officers

- \* Mr M Baxter
- \* Ms F Robertson
- \* Mr A Dickson
- \* [REDACTED]
- \* Ms Y Raven

\* indicates present

#### In attendance

Ms J Blair, SQA (A102/5 i)  
Mr S Borley, SQA  
[REDACTED], SQA  
[REDACTED], Grant Thornton (A101/1 – A101/4 v)  
Mr M Campbell, SQA (A101/1 – A101/4 v)  
[REDACTED], Grant Thornton  
[REDACTED], SQA  
[REDACTED], Audit Scotland  
[REDACTED], Grant Thornton  
Ms L McGrath, SQA (A102/5 i - iv)  
Mr D Middleton, SQA Chair  
[REDACTED], SQA (A102/7)  
[REDACTED], Audit Scotland  
Dr G Stewart, SQA (A102/5 i - vii only)

#### 102/1 WELCOME AND APOLOGIES

Ms Wailes opened the one-hundred and second meeting as the new Convenor of the Committee. A welcome was extended to everyone, including Mr David Middleton, SQA Chair and colleagues from Audit Scotland and Grant Thornton.

Apologies for absence were received from Ms Davis.

There were no conflicts of interest declared.

## 102/2 **MINUTES OF THE PREVIOUS MEETING**

### i **Approval of minutes from previous meeting**

The minutes of the meeting held on 21 November 2022 were approved as an accurate record by the Committee.

### ii **Action Grid**

The Committee noted the closure of the one recorded action.

### iii **Workplan**

The Committee noted the contents of the workplan.

## 102/3 **MATTERS ARISING**

### **Officers of the Committee**

It was highlighted that following a review there were some minor changes to Officers, and this had been reflected in the minutes from the last meeting.

## 102/4 **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 30% to 26%. It was anticipated a higher KPI was likely to continue given the challenging circumstances of SQA and the lagging nature of the KPI. Nevertheless, progress continued to be made with eleven internal audit actions and four external audit actions closed.

The Committee noted that a review of the KPI mechanisms would be undertaken, and reassurance was provided that management was dedicated to continuing to address all internal audit actions despite already pressured resources. Mindful of this, the Committee suggested that a review of outstanding internal audit actions to potentially remove any superseded ones was undertaken and this was agreed by Grant Thornton.

The last review in the 2022-23 Audit Plan, Transition Arrangement, had been delayed due to resource issues at Grant Thornton, however, this had been resolved and fieldwork was now underway. Given the importance of the report, the Committee agreed that on completion, management would review the findings and decide the appropriate method to circulate. It was anticipated that the final report would be received mid-April, therefore an update on the findings could be provided, if required, to the SQA Board at its meeting on 26 April 2023.

The Committee noted the contents of the report.

## ii **Internal and External Audit Tracker Reports**

### **Internal Audit Tracker Report**

As previously reported (A102/4 i refers), eleven internal audit actions had been validated and closed by Grant Thornton.

Reassurance was provided to the Committee that any internal audit actions that had revised timescales were followed up at Directorate team meetings.

The Committee noted the contents of the report.

### **External Audit Tracker Report**

The Committee noted that the four external audit actions closed by NQA were the ones that had been identified during the external audit in September 2022 and that the closure enabled SQA to have the certificates reinstated for ISO 9001:2015 (Quality Management Systems) and ISO/IEC 27001:2013 (Information Security Management Systems).

It was enquired if the Audit Scotland external audit actions related to the Fixed Assets Working Group were on track for completion at the end of the month. In response, it was noted that there were some resource issues, however it was anticipated that these would be completed in time for the start of Audit Scotland's 2022-23 Annual Audit.

The Committee noted the contents of the report.

## 102/5 **INTERNAL AUDIT ACTIVITY – GRANT THORNTON**

Ms Jean Blair, Director of Operations, Ms Liz McGrath, Programme Director, Education Reform, and Dr Gill Stewart, Director of Qualifications Development, were welcomed the meeting.

### i **Internal Audit Progress Report**

██████████ provided an overview of the progress against the 2022-23 Internal Audit Plan, highlighting the completion of four reviews.

As previously advised due to resource issues at Grant Thornton, one review, Transition Arrangement, had been delayed (A102/4 i refers). Assurance was provided to the Committee that a dedicated team was now in place.

The Committee noted the contents of the report.

### ii **Follow-up Report**

██████████ presented the report for the period to February 2023, which validated the previous two reports (A102/4 i and ii refers).

It was enquired why one of the internal audit actions (196.2 - Internal Communications audit) had not been included in the overdue section of the report given that it had passed its original target date. It was noted that this was likely a timing issue due to the lead time, however, this would be verified.

The Committee noted the contents of the report.

iii **Internal Audit Report – Education Reform**

██████████ presented the report that evaluated the adequacy of internal controls in place around Education Reform, including providing assurance on the implementation of actions and recommendations raised in reports that support the reform agenda.

A positive report with several areas of good practice identified. The audit identified one low and one improvement rated findings and the controls in place enabled Grant Thornton to provide a reasonable level of assurance.

The Committee considered the report and taking into account the number of reviews that were being undertaken within the education system, it was agreed that there was some confusion over which review was relevant to this internal audit. It was agreed that the report would be revised to ensure clarity.

Acknowledging that considerable work had already been taken, and continued, the Committee recognised that it was challenging for SQA given the interdependency between the reviews and the fundamental impacts they could have, particularly the conclusion of the Hayward Review on the design of the new qualifications body.

Discussion led to the finding on the Programme Initiation Document (PID), and it was highlighted that this was a Scottish Government document. It was clarified that the internal audit action was around SQA ensuring that they have up to date versions of the PID and other programme documents to ensure continued, clear understanding of what the programme would deliver. It was suggested, as part of the internal audit action, that SQA should ensure that programme documentation including PIDs, Business Case, Risk, Dependency and Benefits reporting etc were up to date and highlight to the Scottish Government Education Reform Programme Office where that was not the case.

The Committee were encouraged by the assurance provided by the findings and noted the contents of the report.

iv **Internal Audit Report – Governance – EMT and feeder groups**

██████████ presented the report that evaluated the Executive Management Team (EMT) and the supporting internal governance groups that report to and provide assurance to EMT and the Chief Executive, as Accountable Officer.

The audit demonstrated effective controls in place and enabled Grant Thornton to provide a reasonable level of assurance. One low and one improvement rated findings were identified, that would allow continuous improvement in SQA's internal control environment.

The Committee commended SQA on continuing to operate to meet its statutory duties and successfully implementing a new governance structure in extremely challenging circumstances.

The Committee noted the contents of the report.

Ms McGrath left the meeting.

v **Internal Audit Report – Awarding Programme**

██████████ presented the report that considered the adequacy of internal controls in place around the 2022 Awarding Programme, including providing assurance on the implementation of the internal audit actions raised in the 2021 Awarding Programme Audit Report, conducted by the previous internal auditors, Azets, in July 2021.

A positive report with well-designed and efficient controls in place, with several areas of good practice identified. Two low rated findings were identified and the controls in place enabled Grant Thornton to provide a reasonable level of assurance.

The Committee considered the report, and it was enquired if the observation around the outcomes not written in a SMART format related to all elements or only the time-bound element. Given the wording of the internal audit action, and a continued approach that had been introduced in Awarding 2021, it was understood that it was the time-bound element only, however, it was agreed that Grant Thornton would review and confirm.

Encouraged by the assurance provided by the findings, the Committee noted the contents of the report.

Ms Blair left the meeting.

vi **Internal Audit Report – Qualifications Development**

██████████ presented the report that evaluated the adequacy of internal controls in place within the area of qualifications development, testing the governance structure, monitoring processes and how lessons learned had been taken forward into the approach for qualifications.

The audit identified one low rated and three improvement findings and demonstrated effective controls in place that enabled Grant Thornton to provide a reasonable level of assurance.

The Committee noted the contents of the report.

Dr Stewart left the meeting.

vii **Internal Audit Plan 2023-24 – 2024-25**

██████████ introduced the report that set out the proposed indicative two year (strategic) internal audit plan for 2023-24 to 2024-25. It was proposed that the 2023-24 would contain twelve audits with ten contingency days allocated.

The Committee considered the audit areas for review across SQA, noting the areas which had not been covered. Mr Baxter reminded the Committee that

internal audit was not the only source of assurance for the Committee. Assurance on the management of risk should also be provided from a number of other sources, including programme and project governance, the senior management team, external audit, and the application of the risk management framework itself.

Discussion took place around the audits planned for the Business Systems area and the Committee were reminded that there had been significant amount of activity in this area in recent years, including the Cyber Security audit that reviewed the design and operation of key controls relating to SQA's Cyber Security arrangements.

The Committee welcomed that the Fixed Assets and Repayments audit would review the internal controls in place over the management in this area, particularly the Fixed Assets Working Group established to address the external audit findings.

It was suggested that when finalising the scope of the User Engagement (Learners, Parents and Teachers) Grant Thornton consider the current open actions in the internal audit tracker from the Stakeholder Engagement audit to ensure synergy.

The Committee approved the indicative two year (strategic) internal audit plan for 2023-24 to 2024-25.

## 102/6 **2022-23 Q3 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT**

Welcomed to the meeting was [REDACTED].

[REDACTED] presented in detail outcomes of the Risk and Opportunities Group that reviewed the Q3 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.

She went on to present the current status of the CRR that had been reviewed by the Risk and Opportunities Group (R&OG) and then endorsed by EMT, including proposals on some risks since the last meeting.

- *Risk 21CRR60R - Risk was around external factors or decisions impacting on SQA awarding activities for national qualifications for 2022 and beyond.*

It was proposed to close the risk as awarding 2022 had been completed and the Committee endorsed the risk closure.

- *Issue 22CRR72I - Issue was around the reduction in the number of Board members and that the Scottish Government had put a hold on recruitment of SQA Board members.*

It was proposed to de-escalate the issue from the CRR and manage through the Corporate Office ROI register given that the immediate issue was a replacement Convenor of the Audit Committee, who had been appointed.

The Committee endorsed the de-escalation from the CRR.

- *Risk 23CRR75R - Risk escalation*

The Committee had been invited to endorse the escalation to the CRR as the risk was around Scottish teachers undertaking strike action that would impact on learning and teaching in schools and learners' opportunity to sit exams as scheduled during the 2023 exam diet. However, a pay deal had been accepted immediately prior to the Committee meeting and all planned strikes had been cancelled.

The Committee were encouraged by assurance provided by the numerous activities that had been closely monitored and the establishment of robust contingency plans during the period of uncertainty.

The Committee endorsed that the risk would not be added to the CRR due to the resolution of the industrial action and the risk mitigation managed by the Operations (CPG) ROI Register.

- *Issue 23CRR76I - Issue escalation*

Equally, to the previous risk, this issue had been proposed to be escalated to the CRR as the issue was around Scottish teachers undertaking strike action that would impact the delivery of Main Diet processes and Appeals for session 2022-23. Additionally, the impacting of strikes on learning and teaching in schools, resulting in release being refused by schools or late withdrawals by appointees taking part in strike action.

The Committee endorsed that the issue would not be added to the CRR due to the resolution of the industrial action and the risk mitigation managed by the Operations (CPG) ROI Register.

- *Risk 23CRR77R - Risk escalation*

**Redacted – section 30 (b) (i),(ii) and (c)**

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The Committee welcomed the addition given that the lessons learned exercise from the 2022-23 pay dispute and that the publication of the 2023-24 policy was out with SQA's control.

The Committee endorsed the escalation to the CRR.

- *Issue 23CRR78I - Issue escalation*

It was proposed to escalate the issue to the CRR due to the potential loss of expertise of key staff as they become no longer available due to fatigue or leave through a lack of opportunity / promotion or retirement. Furthermore, there was significant risk as staff continue to move into secondments and the challenge of backfilling posts in current climate.

The Committee were mindful of the resource pressures across the organisation and were reassured that this would continue to be closely monitored by EMT.

The Committee endorsed the escalation to the CRR.

During discussion the following risks were covered:

- *Risk 21CRR61R, Risk 21CRR62R, Risk 21CRR63R, Risk 21CRR43R, Risk 21CRR65R - Risks were associated with the replacement of SQA and the impact of Education Reform on the organisation and had been escalated to the Scottish Government.*

The Committee were reminded that these were escalated to the Scottish Government in April 2022 and that there had been a number of exchanges with the Scottish Government on this matter in the intervening period. It was welcomed that in January 2023 an acknowledgement that the risks on the delivery SQA's functions as a consequence of the reform programme had been recognised by the Scottish Government.

The Committee noted that there would be further discussions with the Scottish Government and the SQA Board would be keep informed.

Discussion took place around the Education Reform and the potential risk that it could be publicly perceived as an SQA led programme. The Committee acknowledged that this was a complex position for SQA, however, were reassured by the risk management in place.

- *Risk 21CRR68R - Risk was around SQA not meeting legal obligations under the accessibility regulations 2018, the Equality Act, 2010 and the Disability Discrimination Act 1995.*

The Committee noted that the target date to complete all the necessary requirements of the Section 23 agreement was September 2023, and at that point the risk would be closed as it would become business as usual activity for equality within the organisation.

██████████ left the meeting.

## **102/7 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2022-23**

██████████ presented in detail the Annual Audit Plan 2022-23 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, for the year



ending 31 March 2023 and the intended approach to issues impacting SQA's activities in that year.

The Committee reviewed the plan, and it was advised that the wider scope risks around Climate Change were included in all audits across the Public Sector.

Mr Baxter took the opportunity to thank Audit Scotland for the continued engagement and the continuity in external audit as SQA transition to the new organisation.

The Committee noted Audit Scotland's Annual Audit Plan 2022-23.

**102/8 ANY OTHER BUSINESS**

There was no further business raised.

**102/9 DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 12 June 2023 and would be held by MS Teams.

**PFN 1 Risk Management Workshop**

The Committee noted the summary of discussion from the Risk Management Workshop held on 21 November 2022.