

SCOTTISH QUALIFICATIONS AUTHORITY

A110/2 i

AUDIT COMMITTEE – 10 MARCH 2025

For approval

Minutes of the one hundred and ninth meeting of the Audit Committee held on Monday 18 November 2024 at 10 am by Microsoft Teams.

Members

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

SQA Officers

- * Mr A Dickson
- * Mr J McMorris
- Ms Y Raven
- * Ms F Robertson (A109/1 - 5 iv, 7, 8 and 9)
- * [REDACTED]

* indicates present

In attendance

[REDACTED], Audit Scotland (A109/1 - 5 iv, 7, 8 and 9)
Mr J Booth, SQA (A109/1 - 5 ii)
[REDACTED], Grant Thornton
Mr M Campbell, SQA
[REDACTED], SQA (A109/6)
[REDACTED], SQA
[REDACTED], Audit Scotland
[REDACTED], SQA (A109/5 iii)
[REDACTED], SQA (A109/1 - 5 iv, 7, 8 and 9)
Ms D Mahmoud, SQA (A109/1 - - 5 ii)
[REDACTED], Audit Scotland
Ms S Rogers, SQA Chair
Ms D Stewart, SQA (A109/1 - 4 vi)

109/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one hundred and ninth meeting and was pleased to announce that Mr Ronnie Erskine, who had recently been appointed to the SQA Board had become a member of the Committee. A welcome was also extended to the SQA Chair and colleagues from Audit Scotland and Grant Thornton.

Apologies for absence were received from Ms Raven and [REDACTED] from Grant Thornton.

There were no conflicts of interest declared.

109/2 PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the one hundred and eighth meeting of the Committee, held on 26 August 2024 were approved as an accurate record.

ii Action Grid

The Committee endorsed the closure of the action regarding adding an overarching risk regarding financials to the Corporate Risk Register (CRR), noting that this would be discussed later (A109/6 refers).

It was noted that the other action around finding a solution to share target date changes from the trackers was still under development and the team was examining the capability to use Promapp, the process mapping tool used by SQA. Although the Committee was pleased that a solution was still being sought, it was not essential and if this would result in significant work, it was agreed that given the pressures already faced by SQA it was not necessary to pursue.

iii Workplan

The Committee noted the workplan and was reminded that previously it had requested an annual rather than a rolling workplan. To ensure the Committee had an overview of the 2025 workplan it was agreed that this would be shared before the next meeting.

The Convenor reminded the Committee that the annual review of performance of the Committee had been postponed until the SQA Board recruitment had been completed. Given that today was the first meeting for Mr Erskine the review would be held next year.

In response to an enquiry around the Assurance Map, Mr McMorris advised that in addition to resource constraints, a full review was required to determine the business owner. This was following the realignment of functions and areas of responsibility for the Corporate Planning and Information Governance teams that had moved into his Directorate. The Assurance would be presented in due course.

109/3 MATTERS ARISING

There were no matters arising.

109/4 INTERNAL AUDIT ACTIVITY – GRANT THORNTON

i Follow-up Report

██████████ presented the report for the period to November 2024 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 four internal audit actions during that period.

Grant Thornton confirmed that there were no concerns over the revised dates for the six internal audit actions that had passed the original due dates. It was highlighted that typically, there was not a lot of changes made to due dates, and any changes were always discussed with SQA to ensure they remained reasonable.

Discussion led to the numerous low-grade actions that had been open for a while, and it was noted that a number of these were associated with larger projects, some of which had been delayed due to priorities and resources. The Committee was reassured that there were no concerns that any of the actions had any significant risk and requested that management provide fuller explanation regarding the rationale behind any delays.

In response to an inquiry if consideration was taken on the relevance of the internal audit actions as SQA became Qualifications Scotland, Grant Thornton confirmed that consultations with each Audit Sponsors were conducted to ensure this. It was anticipated that a full review of all SQA's internal audit activities would be conducted in early 2025 and if any required to be replaced or removed, proposals would be presented to the Committee at the next meeting. The governance of internal audit actions was welcomed by the Committee, particularly given the risk period for SQA as it evolved into Qualifications Scotland.

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 four review that would be presented next (A109/4 iii – vi refers).

The Committee welcomed that despite the constraints faced by SQA, progress remained on track.

iii Internal Audit Report – Payroll

██████████ presented the report that assessed the design and effectiveness of controls for informing HR and payroll of employee departures and pay-affecting changes. Existing controls were evaluated to ensure accurate capturing and processing of employee updates. The audit identified one medium and two low rated findings that enabled Grant Thornton to provide a reasonable level of assurance with some improvement required.

The Committee noted the report.

iv Internal Audit – Business Development – Income Generation

██████████ presented the report that assessed the design and effectiveness of internal controls concerning SQA's three main income streams and sales strategy. The audit identified five low, and one improvement rated findings that enabled Grant Thornton to provide a reasonable level of assurance.

Discussion led to finding around the lack of a robust system to record and manage enquiries, namely a Customer Relationship Management (CRM) system. It was explained that this had been delayed due to the review of priorities across SQA given the current public sector financial challenges, which included the refinement of the delivery plan of the Digital Awarding Programme. The development of a CRM was included in the roadmap for the transition to Qualifications Scotland. The Committee was reassured that alternative solutions and manual workarounds had been developed in the meantime.

The Committee noted that as part of budget cut across SQA training provisions had been affected. To address the finding a corporate skills analysis was under consideration and development as part of the reform work to transition to Qualifications Scotland. It was noted that the target date had been carefully considered to eliminate any unease to staff as a result of a skills analyst being undertaken during transition.

The Committee noted the report.

v Internal Audit – Risk Management

██████████ presented the report that assessed the adequacy of internal controls in place around Risk Management. The audit identified two medium and one low rated finding, enabling Grant Thornton to provide a reasonable level of assurance with some improvement required.

Discussing the findings related to cyber resilience, it was noted that there had been delays due to the unknowns around timings and funding of the Digital Awarding Business Case that was with the Scottish Government for approval. The Committee welcomed the assurance that a programme plan had been established and priority areas identified with mitigating measures implemented in the interim. Digital capability and security were essential to the transition to Qualifications Scotland, and SQA's Prospectus for Change provided a longer-term framework for implementing the improvements.

The Committee noted the report.

vi Internal Audit – Ofqual Regulator Compliance

██████████ reminded the Committee that the audit was different from routine internal audits and did not provide an overall assurance rating. As an advisory audit it evaluated the completion of SQA's action plan and the associated controls in addressing Ofqual's regulatory concerns. The Committee noted that the report would be shared with Ofqual following review by the Committee.

The audit identified that 25 of the 30 actions had been fully implemented and the remaining partially implemented ones, two medium and three low rated, had agreed actions and timescales. The Committee was encouraged by the report and agreed that the report would provide Ofqual with assurance that the areas of concern identified had been addresses and while ensuring ongoing regulatory compliance by SQA.

Prof Thomson, Convenor of the Qualifications Committee, took the opportunity to provide assurance that regulatory compliance was regularly discussed and reviewed by the Qualifications Committee.

The Committee endorsed that the report could be shared with Ofqual.

Ms Stewart left the meeting

109/5 INTERNAL AUDIT ACTIVITY – SQA

i SQA Internal Audit Work Report

██████████ 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 slightly decreased from 24% to 22%.

The Committee noted the contents of the report.

ii Internal and External Audit Tracker Reports

Internal Audit Tracker Report

As previously reported (A109/4 i refers) four internal audit actions had been validated and closed by Grant Thornton. The following internal audit action was covered during discussion:

- 208.3 (User Engagement internal audit)

It was noted that in response to the loss of staff leading on the insights work, and the recruitment freeze, a review was conducted, and it was agreed to approach this differently since it was about changing the mindset across the organisation.

Discussion led to user engagement reports, and it was noted that the Performance Committee would review a detailed report at its next meeting in December. It was suggested that it could be beneficial for the SQA Board to review the outputs at a future meeting.

The Committee noted the contents of the report.

External Audit Tracker Report

The Committee noted the contents of the report.

Mr Booth and Mrs Mahmoud left the meeting.

iii ISO9001:2015 & ISO/IEC 27001:2013 Report

██████████, was welcomed to the meeting.

He presented details of the surveillance visit that had been conducted in September 2024, to ensure that compliance with existing certification to the

management system standard had been maintained. Two new minor non-conformances and four opportunities for improvement were raised.

At the conclusion of the visit, the assessor determined that the requirements of ISO 9001:2015 & ISO/IEC 27001:2013 were met and continued certification was recommended.

The Committee noted the contents of the report.

██████████ left the meeting.

iv Audit Scotland's National Reports

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

The Committee noted the contents of the report.

The Chief Executive would require to leave the meeting soon, therefore the Convenor proposed a slight adjustment to the meetings schedule that was endorsed by the Committee.

109/7 AUDIT SCOTLAND 2023-24 ANNUAL AUDIT REPORT - DRAFT

██████████ introduced the proposed report that summarised Audit Scotland's work in relation to the financial statements for the year ended March 2024. ██████████ went on to present the report in detail and drew particular attention to the various action points within the action plan. Following approval of the financial statements by the SQA Board, it was noted that Audit Scotland expect to issue an unqualified and unmodified audit opinion on SQA's annual report and accounts for 2023-24. On behalf of Audit Scotland, he thanked SQA officers for their co-operation and support in reaching completion of the report.

Discussing the action around the Performance Report, the Committee noted that whilst some improvements had been made, it had been identified that further refinement was required to ensure that the report provided a clear, objective and fair assessment of performance against SQA's objectives over the year. ██████████ advised that this was not unique to SQA, with many organisations struggling to produce balanced reports. It was requested if Audit Scotland could share exemplar reports that you could assist SQA, and ██████████ agreed that he would take this forward with colleagues.

The Committee moved on to discuss the narrative around the 2024-25 budget and whilst the audit confirmed that there was appropriate financial management within SQA, it should be acknowledged that SQA was awaiting confirmation of the budget and funding from the Scottish Government.

The Convenor took the opportunity to highlight cyber security given the continued significant risk of cyber-attacks to public bodies. Noting that a whilst a number of

activities had been completed to address the recommendation, it had been carried forward to this report to enable further time to complete a robust and comprehensive implementation plan.

The Committee noted the draft report and was satisfied that it was anticipated that there would be an unqualified audit opinion on SQA's annual report and accounts for 2023-24.

As Convenor of the Committee, Ms Wailes recorded her assurances on the audit rigour and standards that had taken place and commended the report for submission to the SQA Board.

109/8 PUBLIC SERVICE REFORM ACT 2010 – 2023-24 REPORT

To comply with legislation under the Public Services Reform Act (PSRA) public bodies were required to publish financial information as soon as practical following the end of each financial year.

The Committee reviewed the report and noted that it would be presented to the SQA Board in November for endorsement and that, as part of the public reporting framework, it would be published concurrently with the Annual Report and Accounts.

109/9 ANNUAL REPORT & ACCOUNTS 2023-24

An overview of the Annual Report and Accounts 2023-24 was provided to the Committee by Mr Dickson, that supported the detailed cover paper for the latter, which had highlighted the key points and explained any amounts beyond that covered in the notes to the accounts.

In discussion, the Committee highlighted some minor amendments to the narrative and noted that these would be amended prior to remit to the SQA Board.

The Committee approved the Annual Report and Accounts for remit to the SQA Board prior to submission to Ministers and the Scottish Parliament.

██████████, the Chief Executive and ██████████ left the meeting.

109/6 2024-25 Q2 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

Welcomed to the meeting was ██████████ y.

██████████ highlighted that the Risks, Opportunities, and Issues (ROI) report had been improved to include additional information on opportunities along with trend spotlights which was welcomed by the Committee. She provided a detailed overview of the report highlighting that there was a change in some ROI categories, including the People Resource category that highlighted the impact that the recruitment freeze has had on business areas. SQA's overall risk profile remained high, and the appetite remained similar to the previous quarter.

Discussion led to SQA's challenging financial situation and with the current constraints the Committee stressed the importances of risk management and mitigation.

██████████ went on to present the Q2 Corporate Risk Register (CRR) and the Committee were requested to endorse some changes following endorsement by the Risk and Opportunities Group:

- 20CRR41I - Was associated with the issue that Ofqual find SQA Awarding body in breach of one or more of their conditions and take regulatory action against SQA.

It was proposed to close the issue as positive communications with Ofqual remained ongoing.

Referring to the previous discussion on the Ofqual Regulator Compliance report (A109/4 vi refers), and the acknowledgement by the Committee that the report would provide Ofqual with assurance that the areas of concern identified had been addresses, however, there remained some partially implemented actions. The Committee agreed that was premature to close the issue and should continue to be monitored at an operational level.

The Committee endorsed the de-escalation to of the issue to the Qualifications Development ROI.

- 21CRR59R - Was associated that the APS Operating System and application layer may no longer be able to be used, due to ongoing upgrades, compatibility issues and reliance on legacy systems.

It was proposed to close the risk and merge the mitigations 24CRR79R and the Committee was assured that it would continue to be addressed at both the strategic and tactical levels.

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

- 21CRR68R - Was associated with the possibility that the Equality and Human Rights Commission could take legal action due to SQA's failure to meet accessibility regulations: The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018.

It was noted that the original issue was no longer active, but the ongoing risk remained, therefore the Committee endorsed that status change from an Issue to a Risk.

It was proposed to de-escalate the following three risks for monitoring at directorate level and they had been assessed to be low and this was endorsed by the Committee. During discussion the Committee suggested that it could be helpful to have an overarching strategic risk around people.

- 21CRR61R - Was associated with the Scottish Government announcement to replace SQA and implementation of recommendations outlined within the Muir review that could lead to poor morale, impact on wellbeing, increased sick absence, resignations, and Trade Union unrest.
- 21CRR62R - Was associated with the Scottish Government announcement that SQA was no longer considered an attractive place to work and the risk to be unable to attract key talent and could see a reduction in job applicants.
- 21CRR64R - Was associated with SQA colleagues asked to support additional work linked to Professor Muir or Hayward's reviews as well as being expected to deliver existing commitments that could lead to additional work for already overworked colleagues, potential breaches in the working time directive, poor staff morale, impact on wellbeing, increased sick absence, resignations, and Trade Union unrest.

Following on from the last meeting and the agreement that there should be an overarching strategic risk around financials, one risk and two issues were proposed to be added to the CRR.

- 24CRR81I - Was 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.
- 24CRR82I - Was associated with SQA not being funded to undertake all the planned operational activities within the BAM letter for the 2024-25 financial year.
- 24CRR83R - Was associated with SQA not being fully funded to undertake planned operational activities aligned to its Medium-Term Financial Plan.

It was proposed to pursue the following three opportunities that linked to the pledges within *SQA's Prospectus for Change*, and this was endorsed by the Committee.

- 24CRR84O - Was associated with the transition to Qualifications Scotland that could provide an opportunity to reset relationships and rebuild trust, particularly with learners and teachers.
- 24CRR85O - Was associated with the transition to Qualifications Scotland that could provide an opportunity to grasp the potential of technology to streamline the services we offer.
- 24CRR86O - Was associated with the transition to Qualifications Scotland that could provide an opportunity to deliver qualifications and assessments that keep pace with rapid changes in society and the economy.

██████████ left the meeting.

109/10 SQA AUDIT COMMITTEE ANNUAL REPORT 2023-24

Ms Wailes, Convenor of the Committee, presented the Annual Report that summarised the main activities of the Committee for 2023-24. The report provided an assurance to the SQA Board that SQA's governance, risk management and control environment were satisfactory during the year and would support the SQA Board in its approval of the Annual Report and Accounts.

The Convenor reminded the Committee that before the Chief Executive left the meeting, as Accountable Officer, she had confirmed that she was comfortable with the content of the report.

The Committee endorsed the positive assurances and conclusions of the report, approving it for remit to the SQA Board in September.

109/11 COMMITTEE STANDING ORDERS

The Convenor presented the Committee Standing Orders as per the annual review schedule, noting that it was a critical document, with one change proposed regarding updating the job title for the Lead Director.

She went on to remind the Committee as previously highlighted (A109/2 iii refers), the annual review of performance of the Committee had been postponed until the Board recruitment had been completed and that this would be held in the New Year.

The Committee endorsed the amendments and agreed that the Standing Orders would be presented to the SQA Board for formal approval at its November meeting.

109/12 ANY OTHER BUSINESS

There was no further business raised.

109/13 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 10 March 2025 and would be held by MS Teams.

RISK WORKSHOP

The annual workshop for the Committee had been opened to all members of the SQA Board and enabled discussion around factors that SQA should be considering when considering risks and opportunities in the coming year.

The outputs of the workshop were recorded separately.