

SCOTTISH QUALIFICATIONS AUTHORITY

A106/2 i

AUDIT COMMITTEE – 4 MARCH 2024

For approval

Minutes of the one hundred and fifth meeting of the Audit Committee held on Monday 20 November 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

* [REDACTED]

* Ms Y Raven

* indicates present

In attendance

Mr J Booth, SQA

Ms S Borley, SQA

[REDACTED], SQA

[REDACTED], Grant Thornton (A105/1 – A104/vii only)

[REDACTED], Grant Thornton

Mr C Campbell, SQA

[REDACTED], SQA (A105/6 onwards)

[REDACTED], SQA

[REDACTED], SQA (A105/5 iii only)

██████████, Audit Scotland

Ms M Mahmoud, SQA

Mr Middleton, SQA Chair (A105/1 -A105/4 ii)

██████████, Grant Thornton

Dr G Stewart, SQA

105/1 WELCOME AND APOLOGIES

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

Apologies for absence were received from Dr Mayne, Mr Baxter and Mr Oliphant from Audit Scotland.

There were no conflicts of interest declared.

With his tenure drawing to end on 30 November 2023, the SQA Chair took the opportunity to thank Board colleagues and SQA staff for their support and assistance during the term of his appointment. On behalf of the Committee, the Convenor thanked Mr Middleton for his leadership and service.

105/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the meeting held on 28 August 2023 were approved as an accurate record by the Committee.

ii Action Grid

The Committee noted the contents of the Action Grid.

iii Workplan

The Committee noted the contents of the workplan.

105/3 MATTERS ARISING

There were no matters arising.

105/4 INTERNAL AUDIT ACTIVITY – GRANT THORNTON

i Internal Audit Progress Report

██████████ provided an overview of the progress against the 2023-24 Internal Audit Plan, highlighting the completion of six reviews that would be presented momentarily, a further completion of one review and the commencement of fieldwork for another.

It was anticipated that the Regulatory Compliance review would be deferred to the 2024-25 Internal Audit Plan as a result of Ofqual's seeking assurance about the effectiveness of SQA's action plan to ensure compliance with the Conditions of Recognition, related to investigations that commenced during 2017 – 2019. An independent third-party verification audit to review the effectiveness of SQA's action plan to provide further assurance for Ofqual's would be undertaken by Grant Thornton. The Committee endorsed that this audit would take priority over the wider Regulatory Compliance review.

The Committee noted the contents of the report.

ii **Follow-up Report**

██████████ presented the report for the period to November 2023 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 ten internal audit actions and four 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.

The Committee noted the contents of the report.

iii **Internal Audit Report – Procurement & Tendering**

██████████ presented the report that evaluated the adequacy of internal controls over procurement and tendering by testing the design and operation of these controls. The audit demonstrated effective controls in place and enabled Grant Thornton to provide a reasonable level of assurance. Four low rated findings were identified, that would allow continuous improvement in SQA's internal control environment.

The Committee noted that three of the findings were completed and would be submitted for validation and closure by Grant Thornton prior to the next Committee meeting.

iv **Internal Audit Report – Smarter Working**

██████████ presented the report that evaluated the adequacy of the design and operating effectiveness of controls in place for SQA's smarter working arrangements. The audit identified a number of areas of good practice and two low rated findings were identified. The controls in place enabled Grant Thornton to provide reasonable assurance.

The Committee commended that SQA were shortlisted for an award in the 'Improving Spaces - Creating a Great Place to Work' category of the UK Smarter Working Live awards.

The Committee noted the report.

v **Internal Audit Report – User engagement**

██████████ presented the report that evaluated the adequacy of the design and operating effectiveness of controls in place for user engagement with learners, parents and teachers. The audit identified two medium and one low rated findings that enabled Grant Thornton to provide partial assurance with improvement required.

Discussing the phased target dates for the audit actions, the Committee was assured that updates would be provided through the internal audit tracking report to monitor progress.

The Committee noted the report.

vi **Internal Audit Report – Qualifications Development Management Information**

██████████ presented the report that evaluated the adequacy of the internal controls over qualifications development management information by testing the design and operations of these controls. The audit identified one medium and two low rated findings that enabled Grant Thornton to provide partial assurance with improvement required.

Dr Stewart was encouraged by the report that highlighted that the fundamentals in place were effective.

The Committee noted the report.

vii **Internal Audit Report – Third-Party Risk Management**

██████████ presented in detail the report that evaluated the effectiveness of SQA's Third-Party Risk Management program (TPRM). He highlighted that the audit focused on evaluating the design, implementation, and monitoring of controls and processes to mitigate risks associated with third-party engagements between the Business Systems directorate. Elements from recognised frameworks were considered to ensure compliance with industry best practices and standards. The audit identified five medium and two low rated findings that enabled Grant Thornton to provide partial assurance with improvement required.

The Committee noted that management had requested the review of this area as it had been recognised that there was improvement required within procedures and processes to strengthen SQA's position when dealing with third-party engagements.

viii **Internal Audit Report – Internal Audit – Network Management**

██████████ presented the report that assessed the effectiveness, efficiency and security of the Network Management processes within SQA, focusing on evaluating the design, implementation, and operational aspects of network management to ensure that appropriate controls are in place to safeguard SQA's network infrastructure. The audit identified one high and five

medium rated findings that enabled Grant Thornton to provide partial assurance with improvement required.

It was highlighted that a number of audit actions had been raised in a previous Cyber Security audit (reported to the Committee in November 2022). These had been mitigated and would be submitted for validation and closure by Grant Thornton prior to the next Committee meeting.

Discussion around the finding regarding SQA utilising unsupported and end-of-life systems and applications. The Committee was reassured that SQA's existing data centre architecture was fully aligned with SQA's business and recovery point objectives. The cost and risk profile associated with the existing physical infrastructure had supported the transfer to a hybrid cloud-based approach by utilising both private and public cloud. It was highlighted that some legacy systems were difficult and / or expensive to move, however, options had been captured as part of the reform programme. Mr Campbell advised that with the delay with the reform programme, there had been engagement with SQA's security partner to provide additional support to help progress the discovery project.

There was discussion around the finding regarding Multi-Factor Authentication (MFA) took place. The Committee was assured that security remained paramount to SQA and that a review of MFA and secondary authentication methods was underway.

The Committee acknowledged the number of audit actions withing Business Systems and recognised the risk and the pace at which SQA could mitigate these.

The Committee noted the contents of the report.

105/5 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 had decreased from 33% to 29%.

The Committee were reminded that there would be review 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.

The Committee noted the contents of the report.

ii Internal and External Audit Tracker Reports

Internal Audit Tracker Report

The Committee noted that ten internal audit actions had been validated and closed by Grant Thornton and the following internal audit actions were covered during discussion:

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

The Committee noted that a refreshed list of strategic stakeholders with SQA 'owners' had been finalised and evidence would be submitted to Grant Thornton for validation and closure for the next meeting.

It was agreed that the stakeholder engagement master list would be shared with the Committee for information.

- *Ref 192.1 – 1.1 Software Asset Management Lifecycle (Software Asset Management internal audit)*

In response to an enquiry around the spend intelligence tool it was noted that this would be used to systematically monitor the usage of software packages across the business. This would ensure that software packages were being utilised effectively, prioritisation of resources and identify potential savings.

The Committee noted the contents of the report.

External Audit Tracker Report

The Committee noted that the three Audit Scotland external audit actions were on track.

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

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

He presented details of the surveillance visit that had been conducted in October 2023, to ensure that compliance with existing certification to the management system standard had been maintained. Four new minor non-conformances and six 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**

██████████ provided an overview of SQA's activity and responses to Audit Scotland National Reports published between March to October 2023. During the period, eleven reports were identified and reviewed by EMT, with all proceeding to relevant Directorates for further review.

The Committee discussed the report on Scotland's colleges 2023 and the potential effect on uptake of SQA qualifications given the college sector's

financial circumstances and the wider reform issues around sustainability. Management were conscious of the risks and would closely monitor this.

The Committee noted the contents of the report.

105/6 2024-27 CORPORATE PLAN UPDATE

Welcomed to the meeting was [REDACTED].

Ms Raven advised that a workshop had been held in September with SQA's Senior Leadership Team and discussion had mirrored that of the SQA Board around aligning to a fifth National Outcome: Human Rights; the creation of a new deliverable dedicated to Equality, Diversity and Inclusion (EDI). Work continued to ensure that the focus remained on mainstreaming EDI at SQA in all business areas, considering how we work, not just what we do.

The Committee were mindful that SQA were using existing governance measures, however, required a clear steer by the Cabinet Secretary to ensure that SQA's corporate plan was aligned and met the expectations of the Scottish Government. The Committee was assured that SQA would continue to operate and prioritise activity to meet its statutory duties.

105/7 2023-24 Q2 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

[REDACTED] presented the quarterly Risks, Opportunities, and Issues (ROI) report advising that SQA's overall risk profile remained high, and trend data remaining consistent to previous quarters. She went on to present the Q2 CRR and the Committee were requested to endorse an escalation request that had been endorsed by the Risk and Opportunities Group:

- *Issue 21CRR54I – Issue was around SQA failing to comply with its Public Sector Equality Duty.*

It was proposed to close the issue as SQA had submitted the final Section 23 Agreement report to EHRC on 5 September 2023 evidencing how SQA have met the terms agreed.

Following discussion, the Committee endorsed the issue closure.

- *Risk 21CRR68R - Risk was around 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 proposed to change the status of the risk to an issue because following an audit by the Scottish Government Digital Service, SQA had twelve weeks to fix the issues identified. It was noted that SQA had initiated a 'Implement Accessibility Regulations' project in September 2023, however the audit had increased the priority, and a plan had been developed to address the issues

within the timescales set out. The Committee noted that work on resolving legacy issues on the website would be ongoing.

The Committee endorsed the status change from a risk to an issue.

The following risks were then covered during discussion:

- *Risk 23CRR75R - Risk 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.*

The Committee noted that following a ballot of union members, one of the Trade Unions members had voted in favour of strike action and action short of a strike. They would be holding a members meeting in early December and it was anticipated that SQA would be advised on dates for strike action in the New Year. It was noted that the pay offer was the maximum permissible under the Scottish Government's current public sector pay strategy.

SQA was working through the implications of this industrial action and the Committee highlighted that care should be taken to closely monitor impacts and risks.

The Committee recognised there was pay disputes across the public sector landscape.

- *23CRR76I – Issue associated with a 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.*

The Committee acknowledged that the operating environment in the education sector was challenging and welcomed that management continued to closely monitor and support.

In closing, the Committee suggested that additional narrative on the opportunities by Directorates would be helpful in future reports.

105/8 RISK WORKSHOP

Ms Raven and [REDACTED] directed the workshop that enabled the Committee to discuss factors that SQA should be considering when considering risks and opportunities in the coming year.

The outputs of the workshop were recorded separately.

105/9 ANY OTHER BUSINESS

There was no further business raised.

105/10 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 4 March 2024 and would be held by MS Teams.