

SCOTTISH QUALIFICATIONS AUTHORITY

A105/2 i

AUDIT COMMITTEE – 20 NOVEMBER 2023


For approval

Minutes of the one hundred and fourth meeting of the Audit Committee held on Monday 28 August 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 (A104/5 onwards)
Ms F Robertson
- * Mr A Dickson
- * 
- * Ms Y Raven

* indicates present

In attendance

- , SQA
 - , Grant Thornton
 - , SQA
 - , Grant Thornton
 - , Audit Scotland
 - , SQA
 - , SQA (A104/7 only)
 - , SQA (A104/8 – A104/11 only)
 - , Audit Scotland
- Dr G Stewart, SQA (A104/1 – A104/4 iv only)

104/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one-hundred and fourth meeting, including Dr Gill Stewart, Director of Qualifications and colleagues from Audit Scotland and Grant Thornton.

Apologies for absence were received from the SQA Chair, Mr Middleton.

There were no conflicts of interest declared.

104/2 MINUTES OF THE PREVIOUS MEETING

i **Approval of minutes from previous meeting**

The minutes of the meeting held on 12 June 2023 were approved as an accurate record by the Committee.

ii **Action Grid**

The Committee noted the closure of the one recorded action.

iii **Workplan**

There was discussion on Horizon Scanning, and it was noted that this would be incorporated into the Risk Management Workshop at the next meeting, along with a ten-year analysis of SQA's Corporate Risk Register (CRR) and the outputs from the Business Continuity Institute 2023 report that would provide an overview of global risks and threats. This would enable the Committee to discuss the factors that SQA should be considering when thinking about risks and opportunities in the coming year. It was highlighted that at the September meeting of the SQA Board the Horizon Scanning 2023 report would be reviewed as part of the development of SQA's new 2024-27 Corporate Plan.

The Committee noted the contents of the workplan.

104/3 MATTERS ARISING

There were no matters arising.

104/4 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 two reviews and that the fieldwork had been complete for a further two reviews.

The Committee noted the contents of the report.

ii **Follow-up Report**

██████████ presented the report for the period to August 2023 that provided a summary of the progress made by SQA in implementing previous internal audit recommendations.

The Committee noted the contents of the report.

iii **Internal Audit Report – Fixed Assets & Prepayments**

██████████ presented the report that evaluated the adequacy of internal controls over fixed assets and prepayments. The audit demonstrated effective controls in place and enabled Grant Thornton to provide a reasonable level of assurance. Two low rated findings were identified, that would allow continuous improvement in SQA's internal control environment.

The Committee welcomed the assurance the report provided given that some of the internal controls were established to address the external audit findings within this area.

iv **Internal Audit Report – Qualifications Development Specialists Contracts**

██████████ presented the report that evaluated the adequacy of internal controls over the management of Qualification Development Specialist (QDS) contracts by testing the design and operation of these controls. The audit identified two medium and three 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 and only minor adjustments were required to improve processes.

Discussion around the findings took place and the Committee was reassured that the Qualification Development Specialists (QDS) recruited would be actively working within the education arena. Once the contracting process was moved to the online portal there would be an annual requirement for QDS to confirm skills, knowledge and experience. Controls were also in place to ensure fairness across the QDS, and any discrepancies would be identified during the regular monitoring of contracts.

The Committee noted the report.

Mr Baxter was welcomed to the meeting and Dr Stewart left the meeting.

104/5 **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 and had increased from 22% to 33%. It was expected the 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 four internal audit actions and eight external audit actions closed.

The Convenor advised that an evaluation around KPI effectiveness was being undertaken by the Audit and Risk Committee Chair's Network and that the outcomes would be shared with Mr Baxter to assist in the review of the KPI mechanisms.

The Committee noted the contents of the report.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

The Committee noted that four internal audit actions had been validated and closed by Grant Thornton. Seven internal audit actions remained on track,

including seven amber and one red rated internal audit actions. The following internal audit actions were covered during discussion:

- *197.4 - Ref 2.4 – Cyber Incident Management / Business Continuity / Disaster Recovery (Cyber Security Review internal audit)*

In response to a query around the development in playbooks the Committee was assured that the necessary security controls were in place. It was anticipated that the playbooks would be finalised by the revised implementation date of September 2023.

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

The Committee were reminded that the original completion date had to be reviewed given 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. A tiered stakeholder map was under development, and this would be shared with the Committee for information, when appropriate.

- *Ref 196.2 - 1.1 Stakeholder engagement strategy (Stakeholder Engagement internal audit)*

In response to an enquiry around Google Analytics and when would reports feed into the Communications Directorate reporting it was advised that arrangements were already under review, however some data had been included in the Quarterly Performance Review Q1 report that was discussed at the last Performance Committee on 16 August 2023.

- *Ref 192.1 – 1.1 Software Asset Management Lifecycle, Ref 192.2 – 2.1 Software Installation, Ref 192.3 – 3.1 Software Licence Inventory (Software Asset Management internal audit)*

An enquiry around the status of the project to install/configure software of the Licence Management Tool and expected date of operation was requested. 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 were pleased to note that all Audit Scotland external audit actions from prior years had been validated and closed.

104/6 **2023-24 Q1 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT**

██████████ 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 Q1 CRR and

the Committee were requested to endorse an escalation request that had been endorsed by the Risk and Opportunities Group:

- *Risk 23CRR78R*

Redacted - section 30 exemption, specifically s30(b)(ii)

[REDACTED]

The Committee endorsed the escalation of the risk.

During discussion the following risks were covered:

- *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.

- *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 had advised that their members had rejected the 2023-24 pay proposal. SQA was following the Collective Dispute Resolution Procedure and the SQA Board would be kept updated.

104/7` **SQA ANNUAL PROCUREMENT REPORT 2022-23**

[REDACTED], was welcomed to the meeting.

Redacted name provided a comprehensive overview of the report that detailed the work and contribution made by the Procurement Department during 2022-23. In discussion, the Committee:

- Noted that the total savings included collaborative savings made by SQA utilising public sector frameworks in accordance with best practice.
- Welcomed that reporting against Fair Work and the real Living Wage was included and that Equality Impact Assessment were being developed into all procurement exercises.
- Noted that the transition to the new organisation would have an impact on all SQA contracts and this would be closely monitored.
- Commended on SQA retaining the highest performance band (M1) from the Scottish Government's Procurement and Commercial Improvement Programme.

The Committee noted the report and endorsed it for remit to the SQA Board in September.

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

104/8 **AUDIT SCOTLAND 2022-23 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 2023. ██████████ 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 2022-23. On behalf of Audit Scotland, he thanked SQA officers for their co-operation and support in reaching completion of the final report.

Discussing the large gain on the statement of financial position regarding the pension asset valuation, ██████████ assured the Committee that this was similar with other local government pension scheme employers.

██████████ took the opportunity to highlight the recommendation on cyber security given the continued significant risk of cyber-attacks to public bodies, and it was noted that as directed by the Scottish Government, this area would be cover in all public body external audits. Acknowledging that cyber security risks could never be fully mitigated, there was scope to strengthen SQA's existing cyber security arrangements by achieving Cyber Essentials accreditation. Although the management action had been accepted, the Committee acknowledged that this was difficult for SQA to achieve the accreditation given the ongoing development of systems.

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 2022-23.

104/9 **PUBLIC SERVICE REFORM ACT 2010 – 2022-23 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 September for endorsement and that, as part of the public reporting framework, it would be published concurrently with the Annual Report and Accounts.

104/10 **ANNUAL REPORT & ACCOUNTS 2022-23**

An overview of the Annual Report and Accounts 2022-23 was provided to the Committee by Mr Baxter, 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.

The Committee commented positively on the important commentary around the role and functions of SQA and the challenging future that was ahead for the organisation, particularly the statements from the SQA Chair and the Chief Executive. Some minor narrative amendments were proposed to ensure clarity and it was agreed that management would review and take forward, where appropriate.

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

104/11 **SQA AUDIT COMMITTEE ANNUAL REPORT 2022-23**

Ms Wailes, Convenor of the Committee, presented the Annual Report that summarised the main activities of the Committee for 2022-23. 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.

As Accountable Officer, the Chief Executive confirmed to the Committee 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.

██████████ left the meeting.

104/12 **COMMITTEE STANDING ORDERS**

Mr Baxter presented the Committee Standing Orders as per the annual review schedule, noting that it was a critical document, and some minor amendments were proposed.

The Committee discussed the amendment to clarify that the SQA Chair would not be a member of the Committee but would have the right to attend meetings. Although not specifically called out in the Scottish Governments Audit Committee Handbook it was considered best practice to follow the UK Corporate Governance Code, where it was detailed. The Committee discussed the quorum to conduct business given that historically the SQA Chair had acted as a member of the Committee when required. It was acknowledged that this was out with the control of SQA due to the hold on recruitment for new Board members by the Scottish Government. After consideration the Committee agreed that whilst this would be a risk it was appropriate to make the suggested changes in line with best practice. SQA would continue to monitor carefully.

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

104/13 **ANY OTHER BUSINESS**

Education Reform programme

The Committee were reminded that the Scottish Government had requested that SQA submit two separate funding bids for SQA's core grant in aid and Education Reform funding. Although the 2023-24 Budget Allocation and Monitoring letter had been received from the Scottish Government, the funding relating to reform activity had still to be confirmed with the Scottish Government. The Committee acknowledged the financial challenges being faced by the Scottish Government, however, SQA were continuing to operate without funding. The Education Reform programme was a Scottish Government led programme and the Committee agreed that the absence of resources could put the delivery of this at risk. As per SQA's Risk, Opportunity and Issues Management policy it was the responsibility of the Committee to escalate any risks to the SQA Board for further discussion. The Committee endorsed exercising that formal governance for this new risk.

104/14 **DATE OF NEXT MEETING**

The next meeting of the Committee would take place on Monday 20 November 2023 and would be held by MS Teams.

PFN 1 Meeting Dates 2024

The Committee noted the dates presented.

PRIVATE SESSION

Review of Effectiveness

As per the suggestion of good practice from the Scottish Government Audit and Assurance Committee Handbook, the Committee members undertook a review of its own effectiveness.