

SCOTTISH QUALIFICATIONS AUTHORITY

A107/2 i

AUDIT COMMITTEE – 10 JUNE 2024

For approval

Minutes of the one hundred and sixth meeting of the Audit Committee held on Monday 4 March 2024 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
- * [REDACTED]
Ms Y Raven

* indicates present

In attendance

[REDACTED], Audit Scotland
Ms S Borley, SQA
Mr J Booth, SQA (A106/5 only)
[REDACTED], SQA
[REDACTED], Grant Thornton
Mr M Campbell, SQA
[REDACTED], SQA
[REDACTED], SQA
[REDACTED], SQA
Ms M Mahoud, SQA (A106/6 only)
[REDACTED], Grant Thornton
Mr J McMorris, SQA (A106/5 only)
[REDACTED], Audit Scotland
Ms S Rogers, SQA Chair
Dr G Stewart, SQA (A106/5 only)

106/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the one-hundred and sixth meeting, particularly Ms Shirley Rogers, SQA's new Chair.

Apologies for absence were received from Ms Raven and [REDACTED] from Audit Scotland.

There were no conflicts of interest declared.

106/2 PREVIOUS MEETING

i Approval of minutes from previous meeting

The minutes of the meeting held on 20 November 2023 were reviewed and the Committee agreed that additional narrative would be included around the pay offer to highlight that it was the maximum permissible under the Scottish Government's current public sector pay strategy.

Subject to the addition, the minutes were approved as an accurate record by the Committee.

ii Action Grid

The Committee noted the contents of the Action Grid.

iii Workplan

Mr Baxter advised that following the changes to the reporting timetable by Audit Scotland on the Annual Report and Accounts, the workplan would be adjusted accordingly.

There was a discussion regarding the format of the workplan and it was agreed that this would be reviewed.

The Committee noted the contents of the workplan.

106/3 MATTERS ARISING

There were no matters arising.

106/4 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 one review that would be presented on today's agenda, a further completion of one review and planning initiated for another. Grant Thornton were on track to delivery their audit opinion at the next meeting.

The Committee noted the contents of the report.

ii Follow-up Report

██████████ presented the report for the period to March 2024 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 13 internal audit actions and 18 internal audit actions were not yet due for implementation. 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.

The Committee noted the contents of the report.

iii **Internal Audit Report – Finance Systems – Income & receivables**

██████████ presented the report that evaluated the adequacy of internal controls over income and receivables by testing the design and operation of these controls. The audit identified one medium and three low rated findings that enabled Grant Thornton to provide partial assurance with improvement required.

Discussion around the internal audit action on the framework document took place and it was highlighted that the approval process within the Scottish Government could not be determined by SQA. The internal audit action related to SQA's responsibilities, and it was noted that the framework document had been reviewed and updated within the agreed timescales, and evidence would be submitted to Grant Thornton to validate and close this for the next meeting.

In response to a query around aged debts the Committee noted that the approach to recovering debt in International centres sometimes required a differential approach to be taken because of the commercial and contractual arrangements in place. The Committee was assured that SQA was making good progress on addressing older debt and revised procedures to recognise the commercial and contractual nature of international income and debt recovery would be developed. The Convenor highlighted that at the Performance Committee there had been discussion around SQA's international business pursuit, and the audit provided assurance on the controls in place for international business.

The Committee noted the report.

Mr Booth, Director of Communications, Mr McMorris, Director of Business Development and Dr Stewart, Director of Qualifications, were welcomed to the meeting.

106/5 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 29% to 19%.

The Committee noted the contents of the report.

ii **Internal and External Audit Tracker Reports**

Internal Audit Tracker Report

As previously reported (A106/4 ii refers) 13 internal audit actions had been validated and closed by Grant Thornton. The following internal audit actions were covered during discussion:

- 195.2 (Contract management internal audit)

It was noted that a further meeting with the client had taken place, and it was anticipated that the Memorandum of Understanding would be finalised shortly.

- Ref 195.5 (Contracts Management internal audit)

Noted the completion of the lessons learned exercise had been undertaken and any outcomes would feed into the Risk and Opportunities Group and any Directorate Risks, Opportunities, and Issues registers, if required.

- Ref 197.5 (Cyber Security Review internal audit)

It was highlighted that as part of Cyber Scotland Week the cyber learning application was launched, and the first training module focused on identify phishing, smishing and vishing attacks. Positive feedback from colleagues had been received.

Additional training modules would be launched in due course. Mandatory modules were being considered and the Committee were interested to see what these would be.

- 192.1 (Software Asset Management internal audit)

The Committee welcomed that the last part of the action was now completed with the implementation of the new Licence Management Software. Evidence would be submitted to Grant Thornton to valid and close the internal audit action for the next meeting.

- Ref 201.2 (Governance – EMT and feeder groups internal audit)

Noted that the self-assessment exercise of the effectiveness of the EMT feeder groups had been completed and evidence would be submitted to Grant Thornton to valid and close the internal audit action for the next meeting.

- Ref 208.1 (User Engagement internal audit)

In response to a query around the development of the Corporate engagement strategy and the Engagement delivery plan it noted that this work was to assist in improving overall engagement scores.

The benchmarking of engagement scores would continue to be reported through the quarterly performance review (QPR) that was discussed at the Performance Committee.

- Ref 211.1 (Network Management internal audit)

It was noted that whilst reviewing baseline strategies was on-going there was specific controls in place that would detect any security and compliance issues.

- Ref 211.3 (Network Management internal audit)

It was clarified that the red rating referred to the grading of the internal audit action (high risk), and not RAG status.

Discussion led to the format of the report and the Committee requested that details on target date changes be incorporated. This would enable the Committee to consider the nature of movements and if there was an increase to the overall risk profile, which could then be reported to the SQA Board, if required.

External Audit Tracker Report

The Committee noted the contents of the report.

Mr Booth, Mr McMorris and Dr Stewart left the meeting.

106/6 2023-24 Q3 CORPORATE RISK REGISTER AND RISK, OPPORTUNITY AND ISSUES REPORT

Welcomed to the meeting was Ms Dawnne Mahmoud, Director of People.

██████████ 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 Q3 CRR and the Committee were requested to endorse some changes following endorsement by the Risk and Opportunities Group:

- *Risk 21CRR59R - Risk is around that SQA may no longer be able to use the APS Operating System and application layers.*

It was proposed to de-escalate and return the risk to the Business Systems ROI Register as a new corporate risk was proposed (21BST33R - CRR Escalation refers) that would take into account all out-of-support and end-of-life assets including APS.

Discussion led to the new proposed risk that was around any cyber-attack on SQA that would be magnified, amplified, and prolonged while continuing to have systems that are out-of-support and end-of-life. It was recognised that any legacy systems would become a cyber risk, even with mitigating actions there would always be a level of risk. Management acknowledged that legacy systems did heighten the human error side of risks and as part of the mitigation actions a training module around cyber security had been launched (previously mentioned at A106/5 ii). Incorporating all legacy systems into one risk enabled Business Systems to capture and report on all out-of-support and end-of-life assets in line with BP1078 Security Programme Discovery Phase. The Committee were content with the escalation of the risk.

Following discussion on the proposal to de-escalate and return Risk 21CRR59R to the Business Systems ROI Register, the Committee agreed that the risk should be retained on the CRR and the position reviewed in Q4.

- *21BST33R - CRR Escalation Request*

As recorded as part of the previous risk (Risk 21CRR59R refers), the Committee endorsed the escalation of risk from the Business Systems ROI Register to the CRR.

- *Risk 21CRR61R - Risk is around the result of Scottish Government announcement to replace SQA and implementation of recommendations outlined within the Muir review colleagues are disengaged, demotivated, and concerned about job security. Then this could lead to poor morale, impact on wellbeing, increased sick absence, resignations, and Trade Union unrest.*

It was proposed to de-escalate and return to the People ROI Register because after reviewing quarterly data over the last three quarters it could be established that the original concern and risk had not come to fruition.

The Committee endorsed the de-escalation of the risk to the People ROI Register.

- *Risk 21CRR62R - Risk is around the result of the Scottish Government announcement, SQA is no longer considered an attractive place to work. Then there is a risk we will be unable to attract key talent and could see a reduction in job applicants.*

As the previous risk (Risk21CRR61R refers), it was proposed to de-escalate and return to the People ROI Register after reviewing data as it could be established that the original concern and risk had not come to fruition.

Following discussion, the Committee acknowledged that the mitigating actions and residual risk rating was low, however, given the ongoing transition and budget constraints it was agreed that the risk should be retained on the CRR.

- *Issue 23CRR76I - Issue around the 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. As staff continue to move into secondments and challenge of backfilling posts in current climate.*

It was proposed to de-escalate and return to the Operations ROI Register as following a review the issue had been resolved.

The Committee endorsed the de-escalation of the risk to the Operations ROI Register.

Ms Mahmoud left the meeting.

106/7 STRATEGIC AUDIT 2024-26 AND AUDIT PLAN FOR 2024-25

Presented to the Committee was the internal audit plan for the two-year period 2024 to 2026; a proposed plan for 2024-25 and an indicative schedule of audits for 2025-26. The Committee welcomed that the internal audit plan had been developed following an audit needs analysis, a review of external factors impacting on SQA, and in conjunction with EMT, cross-referenced to SQA's CRR and Assurance Map.

Following the approval of an indicative two-year internal audit plan 2023-24 and 2024-25 in March 2023, EMT had reviewed and suggested the two deferred audits from 2023-24 should be added to the 2024-25 internal audit plan: Transitional arrangements and Regulatory Compliance. The Committee endorsed the additions.

It was highlighted that SQA would undergo IIP Assessment for health & wellbeing and this would provide an accurate industry-benchmark. Additionally, following recent audit activity and the risk profile EMT suggested four internal audits be removed from the 2024-25 internal audit plan: Internal Communications, Governance, IT Security and Staff wellbeing & culture. To enable Grant Thornton to complete their annual opinion, they recommend that, on removal of the four audits, the 2024-25 audit plan should include a further three audits: Payroll, Customer Satisfaction and Whistleblowing. The Committee endorsed the proposed removals by EMT and additions by Grant Thornton.

The Committee was content to approve SQA's Internal audit plan 2024-25, noting that the plan was subject to change according to changes in business requirements and priorities.

106/8 EXTERNAL AUDIT ACTIVITY – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2023-24

██████████ presented in detail the Annual Audit Plan 2023-24 to the Committee that summarised Audit Scotland's responsibilities, as external auditors, for the year ending 31 March 2024 and the intended approach to issues impacting SQA's activities in that year. He explained the reasoning in the change of target dates for audit outputs set by the Auditor General for Scotland.

The Committee reviewed the plan and acknowledged it would not endorse the Annual Report and Accounts for remit to the SQA Board until November and that there was some risk to meet the statutory deadline for laying the accounts of 31 December 2024.

The Committee noted Audit Scotland's Annual Audit Plan 2024-25.

106/9 ANY OTHER BUSINESS

Mike Baxter

As Mr Baxter's last meeting of the Committee, the Convenor took the opportunity to thank him personally for his support and assistance since joining the SQA Board. On behalf of the Committee, the Convenor thanked him for his leadership of the Audit Committee.

106/10 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 10 June 2024 and would be held by MS Teams.

PFN 1 NOTE OF THE ANNUAL RISK MANAGEMENT WORKSHOP 2023

The Committee noted the summary of discussion from the Risk Management Workshop held on 20 November 2023.

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.