

SCOTTISH QUALIFICATIONS AUTHORITY

A94/2 i

AUDIT COMMITTEE – 15 MARCH 2021

For approval

Minutes of the ninety-third meeting of the Audit Committee held on Monday 2 November 2020 at 10 am by Microsoft Teams.

Members

*Mr H McKay (Convenor)
*Ms E Craig
*Ms A Davis
*Dr W Mayne (until A93/7 i)
*Dr K Thomson (from A93/6)

Officers

*Mr M Baxter
*Ms F Robertson
Dr G Stewart

In attendance

██████████, SQA
Mr S Borley, SQA
██████████, SQA
██████████, Azets
Mr A Dickson, SQA
██████████, SQA
██████████, SQA
██████████, Azets
██████████, Audit Scotland
Ms T Weir, SQA (A93/7 ii - iii only)

*indicates present

93/1 WELCOME AND APOLOGIES

The Convenor welcomed everyone to the ninety-third meeting, including ██████████ ██████████ and ██████████ from Azets (formerly Scott-Moncrieff) and ██████████ ██████████ from Audit Scotland.

A welcome was also extended to ██████████ from the Strategic Planning and Governance Team. It was highlighted that as Compliance Manager for Risk Management and Business Continuity, she would regularly attend meetings.

Apologies were recorded for Dr Stewart, Mr Middleton, SQA Chair, and ██████████ from Audit Scotland

It was highlighted that due to other commitments Dr Thomson would join the meeting late, and Dr Mayne would leave the meeting early.

There were no conflicts of interest declared.

93/2 MINUTES OF THE PREVIOUS MEETING

i Approval of minutes from previous meeting

A minor typographical omission was highlighted within A92/7 i Follow Up Report Q1 2020-21 and this would be rectified.

Subject to the correction, the minutes of the ninety-second meeting of the Committee held on 27 July 2020 were approved as an accurate record of the meeting.

ii Action Grid

91/13AOB - 2020-21 Internal Audit plan - COVID-19 pandemic

The Committee were reminded that the action had been added with regards to monitoring the impact across SQA during the COVID-19 pandemic, and if appropriate then the 2020-21 Internal Audit plan would be reviewed.

The Committee noted the contents of the Action Grid.

iii Workplan

The following was raised during discussion of the workplan:

▪ *June 2021 meeting*

It was highlighted that the meeting would have a sizeable agenda, with several Azets reports scheduled to be presented.

The scope and timings of audits in the 2020-21 Internal Audit Plan had been established, however, it was agreed that this would be reviewed to check whether there was any flexibility to move any of the scheduled audits.

Alternative approaches for reviewing the Azets reports would also be considered.

▪ *Digital Assurance Office*

In response to a query from the Convenor, regarding an annual report from the Scottish Government's Digital Assurance Office (formerly Office of the Chief Information Officer), Mr Baxter advised that they did not produce such a report. The assurance reports were based on Stage Gates within a Programme, therefore dependent on the progress of a Programme.

It was anticipated that a Programme Closure report would be submitted to the Digital Assurance Office by mid-November. A report on the findings would be presented to the Committee in due course.

The Committee noted the contents of the workplan.

93/3 MATTERS ARISING

Mr Baxter advised that SQA's Annual Report and Accounts 2019-20 would be laid before Parliament on 5 November 2020.

93/4 CORPORATE RISK REGISTER

Mr Baxter advised that following approval of the new Risk, Opportunity, and Issues Management Policy, SQA's Corporate Risk Register (CRR) had been updated to include the new risk appetite, scoring system and enabled the recording of opportunities and material issues. The key to explain the ratings and scoring would be included in future reports.

The Executive Management Team (EMT) would carry out a full review of the delivery requirements for 2021 and incorporate any further risks and opportunities identified, including delivery of recommendations from the Priestley Review: Rapid Review of National Qualifications experience 2020 report.

He went on to present the current status of the CRR and the proposals on some risks from EMT since the last meeting.

- *20CRR45R - Risk was associated with system modifications required to deliver 2020 certification*

The 2020 Alternative Certification Model (ACM) had been delivered and EMT proposed to close the risk.

The Committee endorsed the closure of the risk.

- *20CRR46R - Risk was associated with the data required to deliver 2020 certification*

Process and data flows had been signed off, the 2020 ACM had been delivered and EMT proposed to close the risk

The Committee endorsed the closure of the risk.

- *20CRR47R - Risk was associated with the confidence the 2020 ACM*

EMT proposed to close the risk as it as associated with the 2020 ACM and a new risk (20CRR51R) would capture work going forward.

The Committee endorsed the closure of the risk.

- *20CRR48R - New risk*

EMT proposed to add a new risk in relation to demands on the MySQA system due to potential alternative approaches to certification. As a key external platform for learners scalability was required to be tested.

Further information was requested to fully understand the rationale of the risk and this would be reported to the Committee in due course.

The Committee endorsed the addition of the new risk.

- *20CRR49R - New risk*

EMT proposed to add a new risk to ensure the current systems were modified in an effective way to ensure the successful delivery of the Awarding 2021.

The Committee discussed whether an internal audit within this area focussed on data would be helpful. It was agreed to revisit as part of discussion on the Internal Audit Plan (A93/5 refers).

The Committee endorsed the addition of the new risk.

- *20CRR50R - New risk*

EMT proposed to add a new risk to ensure that any data sets and data flows due to the 2021 ACM follow all appropriate process steps in the end to end Main diet process.

The Committee endorsed the addition of the new risk.

- *20CRR51R - New risk*

EMT proposed to add a new risk around ensuring confidence in SQA's arrangements for Awarding in 2021.

The Committee endorsed the addition of the new risk.

The following risks were covered in the course of discussion:

- *14CRR3R - Risk was associated with a breach in security*

The Committee enquired if SQA was working with Universities following the recent data breaches that affected some institutes. It was agreed that this would be investigated and reported to the Committee in due course.

The Committee was assured that security remained paramount to SQA. Cyber security and internal controls had been modified and improved and SQA were also working within the Scottish Government's Cyber Resilience Framework.

- *17CRR37- The risk was associated with both disaster recovery and technology platform*

The Committee noted that the core deliverables of the Enabling Functions Programme had been completed which had assisted improvement in SQA's overall resilience.

Discussion centred on the why the probability factor had only been reduced from five to four. It was confirmed that this was because the requirements for the 2021 ACM were still under development and it was still to be confirmed what different requirements to systems may be necessary.

- *23CRR43 - The risk was associated with failure to deliver a complete set of results by Results Day*

It was highlighted that the risk referred to the 2020 ACM, and the Committee noted that this would be revised for the 2021 ACM.

- *14CRR18 - Risk was associated with external factors or decisions impacting on SQA activities and / or operating model for 2021*

Discussion centred on the process to develop and agree plans following the announcement by the Deputy First Minister to Parliament on 7 October 2020.

The Chief Executive assured the Committee that following the announcement, progress had been made to deliver arrangements for NQs in 2021. A NQ 2021 Group, supported by a working group, had been established. There would also be an update communicated to Schools, Colleges, and Local Authorities on arrangements for NQs in 2020-21 later in the day.

The Committee enquired why there was no individual risks associated with:

- *Financial resources*

In response it was advised that rather than several individual risks on the CRR financial resources had been consolidated into other risks.

It was noted that financial implications were included as part of a consequence of a risk, where appropriate.

A prudent approach to financial management had been taken, with EMT closely monitoring, and if any substantial changes arose then a separate financial risk would be established for the CRR.

The Committee supported the approach.

- *Brexit*

The Business Continuity Steering Group had been considering and planning for Brexit this since 2018, and significant work had been completed.

SQA had some data held under existing agreements within the EU. SQA continued to work with suppliers to mitigate any risk.

The Committee was assured that if any were identified, then a risk for the CRR would be established.

In closing, the Committee commended modifications to the CRR and suggested that when risks were recommended for closure it would be helpful if the rating could be reviewed to reflect an appropriate rating at time of closure.

93/5 SQA INTERNAL AUDIT WORK REPORT

Mr Dickson presented the report that detailed the progress against the 2020-21 Internal Audit Plan. He advised that the KPI had slightly decreased from 18% to 17% and progress continued to be made against Management Actions; 14 internal audit actions and six external audit actions were closed.

Internal Audit Plan

EMT proposed changes to the 2020-21 Internal Audit Plan:

- *Review of Centre Pre-Approval and Approval Process*

Due to staffing pressures / COVID-19 related issues it was proposed to delay the internal audit to Q4.

The Committee endorsed the proposal.

- *Review of Ongoing Maintenance and Refresh of NQs*

The Committee noted that although some business as usual development had been undertaken, with processes in place, the absolute closure of the RNQ programme had been delayed whilst SQA planned and delivered the 2020 ACM.

As resources would continue to be required for the 2021 ACM, it was proposed to delay the internal audit to Q4.

The Committee endorsed the proposal.

- *Change Programme / Cyber Security*

Since the start of the COVID-19 pandemic, there had been a higher level of activity on cyber security. To provide assurance, it was proposed that a new internal audit in this area was undertaken. The Committee were reminded that earlier in the meeting they had contemplated an internal audit in the area around data (A93/4 - 20CRR49R refers).

It was explained that due to resources required for the 2020 ACM, and now the 2021 ACM, progress within the Change Programme had slowed. Therefore, it had been agreed best value to replace the internal audit in this area.

The Committee endorsed the proposal to replace the Change Programme internal audit with one around Cyber Security.

- *Review of restructure implementation*

The Committee noted that there were no plans for a restructure in any part of the organisation until Q4 at the earliest, therefore an internal audit would not be required in 2020-21. It was therefore proposed to defer it to the 2021-22 Internal Audit Plan.

The Committee endorsed the proposal.

Noting that there was still capacity within the 2020-21 Internal Audit Plan, the Committee suggested that an internal audit around data integrity on estimates was worth investigating. It was agreed that EMT would discuss this, and should it be agreed best value then an internal audit would be taken forward.

Dr Thomson joined the meeting.

93/6 INTERNAL AUDIT ACTIVITY – SQA

i Internal and External Audit Tracker Reports

Internal Audit Tracker Report

██████████ advised that as previously reported (A93/4 refers), 14 internal audit actions had been validated and closed.

There were four amber internal audit actions. Two related to the IT Disaster Recovery internal audit and were linked to the Configuration Management Data Base (CMDB) that had gone live at end of October and this had completed these actions; evidence would be submitted to Azets to validate and close these internal audit actions for the next meeting. The other two amber internal audit actions were on track for completion by the revised completion dates.

The following internal audit actions were covered during discussion:

- *172.2 - 3.1 Succession planning and development needs (Succession Planning internal audit)*

The Committee noted that this internal audit action had been delayed as a result of activities across SQA during the COVID-19 pandemic. A session on Talent Management and Succession planning was scheduled with EMT for November.

Given that the majority of staff were working from home, the Committee enquired if electronic files were held centrally as a precaution to any absences. In response, the Committee was assured that this was the case.

- *174.8 - 4.1 Risk management Reports (Risk management internal audit)*

This internal audit action had had been validated and closed, however, the Committee enquired what the next stage would be for the Process Map.

In response, it was advised that EMT had approved the establishment of a Risk Management Group who would take forward the requirements of the Risk, Opportunity and Issues Management Policy.

- *174.8 – 3.1 Awareness Raising (Counter Fraud Arrangements internal audit)*

This internal audit action had been validated and closed, however, the Committee enquired what the next stage would be for ensuring awareness of the Addressing Financial Irregularity Policy.

In response, it was advised that communications had and would continue to be regularly issued to staff, particularly around phishing.

The Committee noted the contents of the report.

External Audit Tracker Report

██████████ presented the external audit tracking report and highlighted that there were ten external audit actions open. Six external audit actions had been closed, with a further seven awaiting formal closure.

The Committee noted the contents of the report.

ii ISO 27001 Surveillance Visit Report – 21 October 2020

Mr Borley presented details of the surveillance visit that had been conducted on 21 October 2020, to ensure that compliance with existing certification to the management system standard had been maintained.

Two minor non-conformities (NCs) from previous visits were closed, three minor NCs remained open and one new minor NC had been identified. The assessor determined that the requirements of ISO 27001 were met, and continued certification was recommended.

Discussion covered testing of backups and it was confirmed that a new schedule of backup tests would be established but progress had been impacted, due to the COVID-19 pandemic. Since the time of the visit, action had been taken to complete this work and all procedures were undertaken in accordance with the agreed Backup Policy and evidence to demonstrate compliance would be provided for the next visit. The Committee was assured that backups were consistently taken as part of business as usual within IT Service Delivery.

The Committee noted the contents of the report.

iii Audit Scotland National Reports

██████████ advised the report now incorporated details on the individual published Audit Scotland National reports and how they could be relevant to SQA. This was commended by the Committee.

An overview of SQA's activity and responses to reports published between May and September 2020 was provided. During the period, ten reports were identified and reviewed by EMT, with nine proceeding to relevant Directorates for further review. Following this, no further action was required for eight of these. Reports on the remaining two were included later on the agenda (A93/8 and PFN 2 refers).

The Committee welcomed the additional information provided and noted the contents of the report.

It was advised Dr Mayne would be leaving the meeting soon but had provided comments to the Convenor on the agenda items that she would miss. It was therefore agreed to take 93/11 Any other business at this point.

93/11 ANY OTHER BUSINESS

Audit Scotland - Improving outcomes for young people through school education

The Chief Executive advised that following a performance audit, work on school education by Audit Scotland there would be further audit work undertaken to reflect the impact of COVID-19. The new audit work would examine how the COVID-19 lockdown, recovery and ongoing public health measures were impacting on outcomes for young people through school education.

A range of stakeholders including SQA, would be involved and the Committee would be kept updated.

The remainder of the agenda resumed to its normal running order.

93/7 INTERNAL AUDIT ACTIVITY - AZETS

██████████ advised that in April 2019 Scott-Moncrieff became part of CogitalGroup, an international accounting, tax, audit, advisory and business services group. On

7 September 2020, all the companies within the CogitalGroup were re-branded as Azets to enable a global scale reach of resources and allow investment in the best technology and development of new client services.

The Committee sought assurance that the re-brand would not limit the independence between the different companies, particularly limiting the choice of auditors in the future for the SQA and this assurance was provided by ██████████.

i Follow Up Report Q2 2020-21

██████████ presented the report for the period June to October 2020, which detailed the status of actions that had been assessed as closed by SQA and Aztec's validation of those.

Sufficient evidence had been received to validate and close 14 actions. The number of open actions had decreased from seventeen to twelve. SQA continued to make good progress, particularly with actively addressing actions.

It was suggested that as the report validated the updates provided in the SQA Internal Audit Work Report and the Internal Audit Tracker Report, it could be useful to present the three reports closer together on the agenda.

The Committee noted the contents of the report.

Dr Mayne left the meeting.

ii Internal Audit Progress Report

██████████ presented a summary of internal audit activity since the last meeting to the end of October 2020 and advised that four reviews had been completed against the 2020-21 Internal Audit Plan.

The Committee noted the contents of the progress report and the reports proposed for consideration at the next meeting.

iii Internal Audit Report - Business Cases

Ms Tracy Weir, Head of Opportunity Appraisal & Bid Management, was welcomed to the meeting.

██████████ presented the report that reviewed the quality and outcomes of proposals and business cases going through SQA's Business Case Group and the Product and Services Group, including the arrangements to consider the full impact of cases, scenario planning and a review of benefits realisation.

Overall a positive report, with robust policies and procedures in place that clearly outlined the reporting channels and responsibilities for staff in preparing, assessing, approving and monitoring business cases. One minor improvement action was

identified regarding scenario planning, and once the corrective action had been implemented, this would allow SQA to further strengthen the control framework.

██████████ advised that one of the control objectives for the audit was to ensure there was clearly documented guidance in place for preparing business cases and that the rationale / business objectives of a business case were not part of this. He suggested that this could potentially be an area for consideration in the future.

The Committee were pleased to note that SQA had clear and detailed guidance in place that sets out how business cases should be prepared, which included 'What warrants a business case' document.

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

Ms Weir left the meeting.

iv Internal Audit Report – Travel and expenses

██████████ presented the report that verified how staff expenses were claimed, approved and reimbursed in line with appropriate SQA policies and procedures and the Scottish Public Finance Manual (SPFM).

He reported that the audit had identified robust and effective processes with clearly documented policies and procedures in place that outlined the responsibilities of staff in preparing, assessing, approving and monitoring travel and expenses. Two minor improvement actions were identified and once implemented, would allow SQA to further strengthen the control framework.

The Committee considered the self-authorising of travel and expenses claims, and were assured that limits had been built into SQA's Business World system to ensure that employees could not claim for expenses over a certain value, dependent on their seniority and in accordance with the SQA's Travel, Accommodation and Expenses policy.

The recommendation from the audit in this area was to review the thresholds and tolerances for reporting and approach to sampling of claims. The Committee welcomed that that following the review the outcomes would be reported back in due course.

Mr Baxter took the opportunity to advise that any travel and expenses claims that were in exception to the policy required his authorisation, as Director of Finance and Corporate Services.

The Committee were reminded that (as reported to the SQA Board in November 2019) new travel guidance was in place across the organisation which had been benchmarked and aligned with other public sector organisations including the Scottish Government.

The Committee noted the contents of the report.

v Internal Audit Report – Forecasting and budgetary controls

██████████ presented the report that reviewed SQA's approach to budget setting and in-year financial management, variance analysis and forecasting.

A positive report with robust and efficient controls in place with several areas of good practice identified. Some minor improvement actions were identified and once implemented, would allow SQA to further strengthen the control framework.

The Committee commended that assurance had been provided that SQA had a defined budgeting model in place which reflected and supported the structure and objectives of the organisation and was well understood and consistently followed by staff.

The Committee noted the contents of the report.

The Committee took the opportunity to commend SQA for continuing with the Internal Audit plan given the impact and change of direction for copious activities across SQA during the COVID-19 pandemic.

93/8 AUDIT SCOTLAND REPORT: COVID-19: GUIDE FOR AUDIT AND RISK COMMITTEES

Audit Scotland, as part of their series of COVID-19 guides prepared for public bodies, had published a report on COVID-19: Guide for Audit and Risk Committees. Included was suggested questions to help Committees effectively scrutinise and challenge in four key areas: Internal controls and assurance, financial management and reporting, governance and risk management.

To assist the Committee to effectively scrutinise and challenge in these areas, responses had been provided by EMT and ██████████ presented these in detail.

During consideration of the report, the Committee:

Internal controls and assurance

- *Question 1 - What changes to internal controls have been required due to COVID-19?*

Requested clarification on the decision to extend the password change policy to 90-days.

It was advised that it was deemed a lower risk to extend the time period allowed and remove any potential pressure from the team to resend forgotten passwords. Both Business Continuity and the Incident Management Team had sought appropriate assurance on the proposal before the decision was taken.

- *Question 3 - To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?*

Enquired what forum would the pulse surveys be discussed at.

In response it was advised that discussion had taken place at the last Performance Committee, and at previous SQA Board meetings.

- *Question 9 - To what extent has management assessed the impact of COVID-19 on overall staff capacity?*

Recognised that that the requirements for the 2021 ACM were under development, and that staff capacity issues would likely continue for some time but would be addressed to ensure both wellbeing of staff and successful delivery. EMT would closely monitor and it was noted that that SQA Board would be kept advised of any issues.

- *Question 11 - What opportunities and risks have arisen as staff are deployed across departments?*

Acknowledged that time and speed of response was critical, however, enquired if any reflection had since taken place.

In response, it was advised that at a recent Management Team there had been reflection on 2020 and forward planning for the challenges for 2021. It was noted that Lessons Learned would be captured.

Financial management and reporting

- *Question 17 What impact has COVID-19 had on transformational activity?*

Requested an update on digital technologies replacing paper-based processes.

In response it was advised this was part of a wide-ranging Discovery phase which included an intensive external stakeholder engagement, to scope out the Strategic Change Programme. Discussions on the longer-term transformation programme remained on-going and an update would be provided at the next Performance Committee, as part of the Quarterly Performance Review

In closing, the Committee commended the detailed report.

93/9 2021-22 PERFORMANCE FRAMEWORK AND BUSINESS PLAN

Mr Borley advised that initial plans had been to facilitate workshops for each of the five outcomes, similar to last year, but on reflection it was decided to refresh the business plan by identifying deliverables to carry forward into 2021-22 and create new ones related to Awarding 2021 and other related activity arising from the Priestley Review report.

The following was raised in the ensuing discussion regarding the initial proposals for deliverables in 2021-22 and the Committee:

- Concurred that new deliverables should be created related to Awarding 2021 and other related activity arising from the Priestley Review report.
- Welcomed that SQA' own lessons learned activity related to delivery in 2020 would be factored in.

- Recognised that SQA was committed to mainstreaming equality into its operations and was part of the public sector equality duty. The Committee believed it would be sensible to embed equalities though of all the deliverables and noted that the decision was still to be taken by management. It was highlighted that there was a recent Equality Monitoring campaign to encourage staff to provide diversity data.
- Noted that there was a deliverable relating to media but questioned if communication was addressed within other deliverables. In response it was advised that communication was embedded cross all the deliverables.
- Noted that there were specific deliverables around stakeholders and the Performance Committee was aware of the work in these areas.
- Noted that staff well-being was under the umbrella of the People Strategy deliverable and strategic decision was required as to whether this would be concluded prior to 2020-21, paused or rolled forward in to 2021-22.
- Encouraged SQA to be mindful of the reputational risk around what would be perceived by the public against what SQA delivers.

In closing, the Committee suggested that in response to the COVID-19 pandemic SQA could identify 2020-21 and 2021-22 as emergency years to ensure that the Performance Framework was not undermined.

93/10 ASSURANCE MAP

The Committee were reminded that following establishment in 2019, it was agreed to undertake an annual review of the Assurance Map to ensure it remained up-to-date and a useful tool to ensure SQA's governance arrangements and responsibilities were appropriate and proportionate.

Following a review of the existing assurance mechanisms, some initial changes were proposed to the Assurance Map. It was noted that within the Assurance Map external auditors (3rd Line) encompassed both SQA's internal and external auditors, whilst internal audit (2nd Line) referred to SQA and this would be refined going forward.

Mr Borley presented the Assurance Map in detail and in the ensuing discussion, the Committee:

- Highlighted that the key was coded incorrectly.
- Noted that Regulators (3rd Line) encompassed SQA Accreditation, Ofqual and other qualifications regulators.
Nevertheless, suggested that SQA should be mindful that although this area would provide independent and more objective assurance, if any significant risk was identified by one of these regulators the information would be available in the public domain.
The Committee was assured that compliance in these areas was closely monitored. The inclusion in the Assurance Map was to reflect that SQA mitigates any identified risks sensibly.
- Suggested that an appendix could be included that explained what the assurance actions were within the three levels.
- Suggested that any changes to the scoring was highlighted by arrow icons to indicate the movement.

- Welcomed that SQA had started the process of considering its EMT governance and noted that if the review led to a new governance structure then a full review of the Assurance Map would be required.

The Committee reiterated the importance of the Assurance Map and agreed that it should be refined and presented to the next meeting for consideration and approval.

93/11 ANY OTHER BUSINESS

An item had been raised earlier in the meeting (after A93/6 Internal Audit Activity - SQA, before A93/7 Internal Audit Activity - Azets).

There was no further business raised.

93/12 DATE OF NEXT MEETING

The next meeting of the Committee would take place on Monday 15 March 2021 at 10am.

The location of the meeting would be confirmed nearer the time and would follow government advice and guidance.

PAPERS FOR NOTING

PFN 1 Meeting Dates 2021

The Committee noted the dates presented.

PNF 2 National Fraud Initiative – 2020-21 Exercise

The Committee noted SQA's progress of the 2020-21 Exercise.