

**SCOTTISH  
QUALIFICATIONS  
AUTHORITY**

**Annual Report and Accounts**

for the year ended 31 March 2007

**Authorised for issue on**

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# Foreword

It is my pleasure to introduce the Scottish Qualifications Authority's Annual Report and Accounts for 2006-07. This has been a year of change for SQA, presenting an opportunity to reflect on our progress in recent years and plans for the future.

I was always confident that the detailed processes and plans we introduced to monitor our performance and services were working well. This was confirmed by Audit Scotland, who completed a detailed review of our performance management arrangements during the year. It highlighted our ever growing maturity as an organisation that has a distinctive role to play at the heart of Scotland's education and training system. But, of course, we can never be complacent, and there is still much to do as we develop and modernise our services to support Scotland's people and economy. I'm grateful to Anton Colella for leading the team through many changes in the last five years, and to Tom Drake for stepping up to the challenge of guiding the organisation following Anton's departure.

I was delighted to welcome Dr Janet Brown as our new Chief Executive in March. I know that Janet is relishing the opportunity to work with the Board and the SQA team to address the challenges of modernising the way we work, pursuing commercial opportunities and taking forward the recommendations of our review of Accreditation. Following May's elections to the Scottish Parliament, we look forward to the announcement of implications for qualifications and assessment of the Curriculum for Excellence programme, and to decisions on some of our key funding proposals.

The Scottish Credit and Qualifications Framework Partnership is a great example of our progress in working closely with colleagues in the wider Scottish education and training landscape. I was pleased to note that our important contribution here, and to framework and policy developments in the UK context, has been strongly reflected in this Report.

I would like to take this opportunity to thank our staff and appointees for their continued hard work and commitment. The credit for Audit Scotland's recognition of SQA's progress and growing maturity as an organisation goes principally to them.



**John McCormick**  
Chairman

# 1 Introduction

## 1.1 Who we are and what we do

We are the national body in Scotland for the development, accreditation, assessment and certification of qualifications other than degrees and some professional qualifications. Our main functions are set out in the Education (Scotland) Act 1996. We are a non-departmental public body, sponsored by the Scottish Executive Schools Directorate.

Our core purpose is to set and maintain standards in education and training through the qualifications and assessment we deliver in schools, in colleges, and in workplace learning. In each of these very different sectors, we are responding to a range of trends and drivers.

## 1.2 Trends and drivers

In the past year, there have been a number of developments in education and lifelong learning that are likely to have a significant impact on both the future direction of our qualifications, and the numbers of learners taking them.

Expectations of the way that public services are managed have changed. Increasingly, public sector organisations are challenged to show that they are working efficiently, and taking every opportunity to share resources with other organisations. While the effect these changes will have is not yet apparent, it is important that we are aware of the changing world we operate in.

Although the population of Scotland has not fallen as it was expected to (a result of increased inward migration), we are still likely to experience demographic change in the near future. The number of young people in secondary schools is expected to fall by almost 16% over the next 10 years. As this change moves into the workplace, the labour market may absorb more incoming labour and retain a greater number of older workers. This is likely to result in changes in patterns of entry for our qualifications, as more people need to retrain.

In the school sector, the Scottish Executive is continuing to lead work with partners to create a curriculum to meet the needs of every young person through the Curriculum for Excellence programme. (You can read more about our involvement in this programme in section 2 under Objective 2.3.) The changes to the curriculum, and a review of the way we assess young people, will have a substantial impact on the future of qualifications in schools and other sectors. The first change to come into effect is the introduction of new Skills for Work

qualifications, delivered in the main by school/ college partnerships — many students who participated in the pilot programme completed their qualifications this year. (Read more about our Skills for Work qualifications in section 2 under Objective 1.2.)

There have been developments in skills policy. Most importantly, the Leitch Review of Skills has recently reported, and the Scottish Executive's response will be published later in the year. As well as potentially having a significant impact on the content of vocational qualifications (by increasing employers' influence over their design), if Leitch's recommendations are put into effect there may also be an increase in demand for vocational qualifications.

A number of Sector Skills Agreements between employers, agencies and Government have been published. These outline the skills situations faced by various sectors of the economy, and the actions required. More detailed Sector Qualifications Strategies are also being produced, outlining the changes to qualifications that will be required.

These, and other significant changes to the environment our Accreditation Unit operates in, prompted a review of the role and structure of accreditation and regulation. The review aimed to ensure that we continue to deliver our regulatory function effectively and efficiently. You can read more about this review in section 2 under Objective 1.3.

Achievement of all our objectives, and our response to each of these drivers, depends on our workforce and our commitment to ensuring that both our staff and appointees have the skills, knowledge and motivation to provide the qualifications and services needed. Our Partnership Group, involving our trade unions, makes an important contribution to the organisation and ensures that staff's interests on policies and training are well represented. We recognise that demographic trends in the teacher population require us to review our processes for recruiting, developing, managing and rewarding our appointees. You can read more about development of our staff and appointees in section 2 under Objective 4.

## **1.3 Our qualifications**

There are SQA qualifications for everyone:

- ◆ students in schools and colleges
- ◆ trainees and apprentices
- ◆ people who already have qualifications and those who don't
- ◆ people who are in employment and those who aren't

Our qualifications cover a huge range of skills and knowledge, from Languages, Mathematics, History and Science to Accounting, Agriculture, Manufacturing and Computing. We also provide qualifications for learners whose first language is not English.

There are qualifications at all levels of attainment. Almost all school candidates gain our qualifications in the fourth year of secondary school, and the great majority obtain further qualifications in fifth or sixth year or in further education colleges. Increasingly, people also take them in the workplace, where we provide qualifications from junior to professional levels.

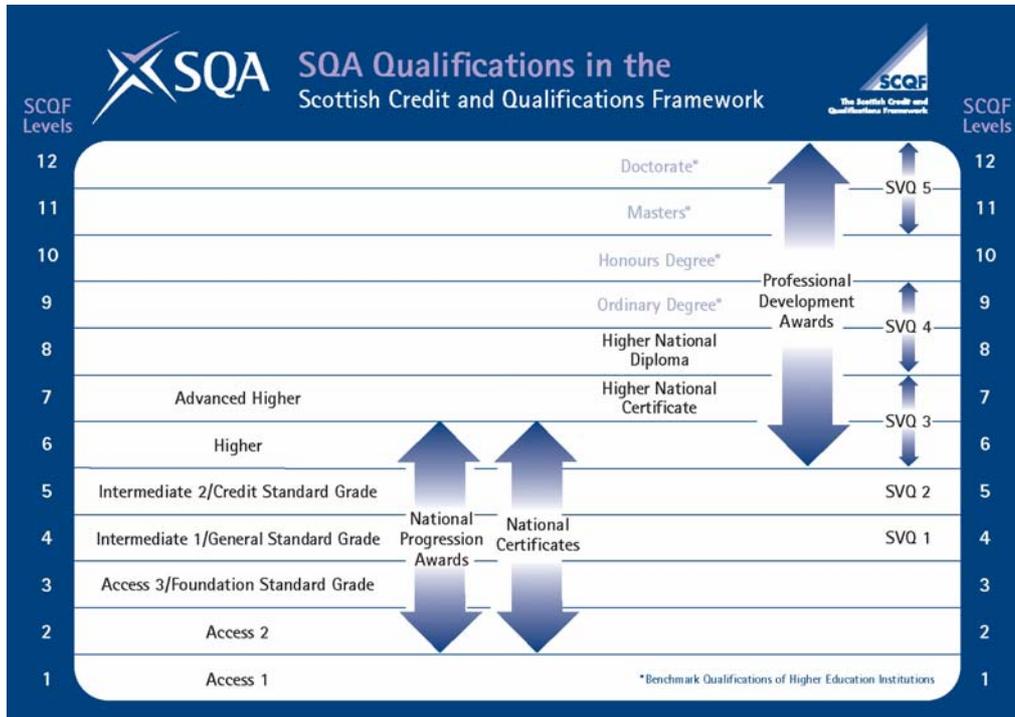
### **SCQF**

The fundamental aim of the Scottish qualifications system is to provide a 'learning ladder' (or perhaps climbing frame, since you can go horizontally as well as up and down) that provides opportunities for everyone to achieve their full and true potential.

The Scottish Credit and Qualifications Framework helps people to understand and compare different qualifications in Scotland. It does this by using two measures:

- ◆ Level (1–12) shows how complex the learning of a qualification is.
- ◆ Credit points indicate the volume of learning required to achieve a qualification. One SCQF credit point represents 10 notional learning hours.

Our qualifications are developed using SCQF level and credit points. This information is shown on the Scottish Qualifications Certificate. The table on the next page, our 'Ready Reckoner', shows the level and credit points for our Units, Courses and Group Awards.



You can read more about our involvement with the Scottish Credit and Qualifications Framework Partnership in section 2 under Objective 2.4.

### Development and review

It is important that we ensure that our qualifications are current and fit-for-purpose. We have a strategy for the development of qualifications in the National, Higher National (HN), Scottish Vocational Qualifications (SVQ) and Customised Awards families. The strategy aims to ensure that all qualifications are developed and maintained to the same rigorous high standards, and that they all make a valuable and unique contribution to our qualifications portfolio.

The overriding concern is that we should strive to maintain a balanced portfolio of qualifications that is inclusive, addresses progression needs, and reflects Scotland's educational, economic, social and cultural needs. At the same time, all qualifications should have sufficient uptake to sustain a meaningful national standard and should, wherever possible, generate sufficient revenue to enable us to recover development and maintenance costs.

In 2006-07, we completed a long-term programme to review our National Courses. With colleges, we have largely completed the modernisation of our consortium-developed Higher National Qualifications, and are moving on to increasingly focus on specialist HN Qualifications. We are also in the early stages of reviewing our non-advanced Unit and Group Award provision. We have validated the first revised National Certificates and National Progression Awards as part of our National Qualifications Group Award Development Programme. (You can read more about our qualifications developments in section 2 under Objective 2.1.)

## 1.4 Uptake of our qualifications

This table shows trends in entries for our qualifications over the period from session 2001–02 to session 2005–06. Although this Annual Report records our progress in financial year 2006–07, the difference between academic and financial calendars means that information for session 2006–07 will not be available until later in the year.

Qualification	2001/02	2002/03	2003/04	2004/05	2005/06	YoY variance	5 Year variance
Standard Grade	456,288	453,450	433,855	411,181	416,052	1%	-9%
National Units	1,438,176	1,461,605	1,750,544	1,721,388	1,805,107	5%	26%
Access 2	1,687	2,264	2,344	2,138	2,196	3%	30%
Access 3	3,567	9,154	12,759	15,820	19,444	23%	445%
Intermediate 1	20,352	24,613	31,231	36,653	44,948	23%	121%
Intermediate 2	67,509	72,327	80,283	87,100	94,568	9%	40%
Higher	164,004	166,885	165,575	164,142	159,140	-3%	-3%
Advanced Higher	15,749	16,998	17,185	17,146	18,264	7%	16%
Scottish Vocational Qualifications	41,863	39,418	44,119	47,149	44,801	-5%	7%
Higher National Certificates	21,872	18,168	19,097	19,496	18,524	-5%	-15%
Higher National Diplomas	11,857	12,727	12,916	11,503	14,109	23%	19%

You can read about qualification entries and awards in session 2005–06 in our Annual Statistical Digest, which is available on our website.

## 1.5 Annual Report

This Report focuses on our progress in achieving the objectives set out in our Business Plan for 2006–07. Our five high-level Corporate Objectives in this period were:

### Key Objectives

#### Objective 1

Provide qualifications and support to match the needs of individuals, society and the economy of Scotland

#### Objective 2

Inform and support national policy development and implementation

### Corporate Objectives

- 1.1 Deliver assessment, quality assurance and certification of SQA's qualifications.
- 1.2 Develop SQA's portfolio of qualifications.
- 1.3 Develop and deliver the accreditation function.
- 1.4 Provide information, materials and training to support understanding and delivery of SQA qualifications and assessment.
- 1.5 Increase our understanding of stakeholder and customer needs and priorities.
- 2.1 Maintain existing and establish new strategic relationships with key national and international partners.
- 2.2 Provide information and advice to inform policy and decision making.

2.3 Implement the outcomes of policy developments in relation to qualifications and assessment.

2.4 Play a leading role in the implementation of the Scottish Credit and Qualifications Framework.

**Objective 3**

Re-design our services and processes to make them better to use and more efficient

3.1 Expand services for the management of candidate information.

3.2 Expand provision of e-assessment and e-learning resources.

3.3 Enhance question paper production processes and security.

3.4 Introduce new web-based marking and quality assurance processes.

**Objective 4**

Develop a highly-skilled, motivated and effective workforce

4.1 Design and introduce a set of integrated human resource policies which demonstrate best practice and support the delivery of SQA's Business Plan.

4.2 Embed more effective performance measurement and monitoring to encourage continuous improvement.

4.3 Implement an integrated human resources and financial system.

4.4 Implement an estates and facilities management programme.

**Objective 5**

Increase the use of SQA qualifications and services nationally and internationally

5.1 Increase national and international awarding and consultancy.

5.2 Establish a separate trading company to manage and develop commercial activities.

## 1.6 Our Corporate Scorecard

Following our success in re-aligning our corporate and business planning processes with workforce planning, budget-setting, and the development of business cases seeking external funding, we have focused our efforts in 2006-07 on improving our reporting of performance management, providing our Board with a more strategic, high-level view on progress against our objectives. We introduced a corporate 'balanced scorecard' of key outcomes and measures, reporting quarterly on our progress.

For the first time, we have included this Corporate Scorecard in our Annual Report. It provides a snapshot of our performance at the end of financial year 2006-07. We have made further progress since this point, and will report this in our *Annual Report and Accounts* for 2007-08. (You can read more about our Corporate Scorecard in section 2 under Objective 4.2.)

Scottish Qualifications Authority - Balanced Scorecard 2006-7												
	Outcomes	Ref	Measures:	March		Full Year		Annual	Full Year Comment	Meet or Surpass		
				Actual	Target	Actual	Target	Target				
Portfolio	a	hit milestones for assessment & certification of existing qualifications	1	achieve diet performance measures & certification targets	n/a	100.0%	100.0%	100.0%	100.0%	100.0%	appeals processing now complete; see also no 8	M
	b	hit milestones for new & revised qualifications	2	achieve development targets for qualifications	n/a	100.0%	97.5%	100.0%	100.0%	100.0%	within tolerance	M
			3	achieve rationalisation milestones for qualifications	n/a	100.0%	97.5%	100.0%	100.0%	100.0%	within tolerance	M
	c	increased usage of e-assessment	4	increase availability of e-assessment by 30% v LY	33.3%	130.0%	267.0%	130.0%	130.0%	130.0%	SOLAR, Biotech, eNABS, pilots v low/zero baseline figures may result in high % performances in 2006-7	S
	d	achieve targets for qualifications uptake & commercial activity	5	increase uptake in target markets v LY	102.7%	105.0%	101.9%	105.0%	105.0%	105.0%	within tolerance	S
			6	achieve commercial targets	132.6%	110.0%	99.2%	110.0%	110.0%	110.0%	within tolerance	S
Partnership	e	improved teaching staff understanding of standards	7	increase the level of cpd uptake by 5% v LY	68.5%	105.0%	115.8%	105.0%	105.0%	105.0%	within tolerance	S
			8	increase the effectiveness of cpd by 3% v LY	87.1%	89.7%	87.1%	89.7%	89.7%	89.7%	post appeals target of 89.7% not achieved	S
	f	increased satisfaction with our services	9	increase centres' satisfaction with SQA to at least	2007-8					Not available in 2006-7 although measure agreed. Work ongoing for 2007-8	S	
			10	achieve stakeholder satisfaction with SQA of at least	2007-8					Not available in 2006-7 although measure agreed. Work ongoing for 2007-8	S	
People	g	improved skills, environment & information	11	achieve employee attendance levels of at least	97.0%	95.5%	96.7%	95.5%	95.5%	95.5%	exceeded target	S
			12	adhere to core funded headcount levels	101.3%	100.0%	101.9%	100.0%	100.0%	100.0%	Note - this is the Overall figure until 2007-8: historical split between core/externally funded is not available	M
			13	achieve appointee development milestones	2007-8					Not available in 2006-7 although measure agreed. Work ongoing for 2007-8	M	
			14	increase no. of employees 'proud to work for SQA' by 5% v LY	79.0%	79.8%	79.0%	79.8%	79.8%	79.8%	within tolerance	S
			15	achieve 100% of environmental targets	65.0%	100.0%	65.0%	100.0%	100.0%	100.0%	RED as tracking mechanism is established but data input could not be completed for all elements in 2006-7	S
Process	h	increased automation & self-service	16	achieve modernisation programme milestones and targets	0.0%	100.0%	8.0%	100.0%	100.0%	100.0%	RED as no funding award had adverse impact on progress	M
			17	achieve financial targets	132.4%	100.0%	98.5%	100.0%	100.0%	100.0%	within tolerance although year end accounting for Fixed Assets/Disposal resulted in £5M overspend in March	M
	i	have more efficient processes	18	achieve procurement compliance	n/a	90.0%	84.7%	90.0%	90.0%	90.0%	AMBER to end Nov. From Dec: SAP does not allow invoices without PO to be processed. New measure tbc	S
			19	achieve scottish executive & sqa efficiency targets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	exceeded target	S

**Notes -**

We aim to surpass certain targets where higher than target rating is desirable - eg 'increase availability of e-assessment' - marked **S** and have one set of tolerances.

Other targets can only be met **not** exceeded - e.g. achieve a set number of milestones - these are marked **M** and have a different set of tolerances

Targets we aim to SURPASS
< 90% = red
> 90% but < 95% = amber
> 95% = green

Targets we aim to MEET
<90% or >110% = red
>90% but <95% or >105% but <110%=amber
> 95% or <105% = green

## **1.7 Financial results for the year ended 31 March 2007**

The excess of expenditure over income for the year ended 31 March 2007 is £21,347,000 before government funding. We received additional grant funding from the Scottish Executive of £8,710,000 and notional funding of £1,391,000 to cover the cost of lease commitments in the year (note 17 'Reserves' in section 16). These amounts have been credited to the income and expenditure reserve. We also received additional grant funding for capital projects of £2,290,000 during the year. This amount has been credited to the government grant reserve. The total additional grant funding for the year was £12,391,000.

As we receive additional grant funding from the Scottish Executive on the basis of cash requirements, it is expected that we will not retain cash balances at the year end. The cash balance at the year end was £65,000 (2006: £1,000).

During the year we invested £1,924,000 in fixed assets. The majority of this amount related to fit out costs for our new Glasgow office and investment in replacing the current finance and HR systems.

### **Post balance sheet events**

As we will no longer be a recognised Scottish Charity from 23 April 2007, no further gift aid payments will be received from Awards UK Limited. Instead, the directors for Awards UK Limited recommend that dividends totalling £576,475 be paid to us and Edexcel Limited for the year ended 31 March 2007. No provision has been made in the accounts for our share of this dividend. You can read more about the change to our status in section 3 of the Report.

There are no other significant post balance sheet events requiring disclosure.

### **Prompt payment of suppliers**

We observe the Better Payment Practice Code (details of which are at [www.payontime.co.uk](http://www.payontime.co.uk)) and are committed to paying suppliers within 30 days of receiving a valid invoice, where no other contract timetable applies. During the year to 31 March 2007 we paid 55% of all invoices within the terms of this payment policy.

## **Auditors**

The Annual Financial Accounts have been audited by auditors appointed by the Auditor General for Scotland. The audit fee for the year ended 31 March 2007 was £45,100 (2006: £44,700).

So far as the Chief Executive is aware, there is no relevant audit information of which the entity's auditors are unaware. The Chief Executive has taken all steps that she ought to have taken to make herself aware of any relevant audit information, and to establish that the auditors are aware of that information.

## **1.8 Principal risks**

For the first time, we have included information about the principal risks for the organisation identified by our Board of Management in our Annual Report, providing a snapshot for financial year 2006-07.

Our Certification Planning Group (CPG) oversees the main examination diet process, from entry through to certification, to ensure that the Business Areas are meeting their targets. The CPG maintains a risk register for the main examination diet which is reviewed and updated on a weekly basis. Local risk registers are in place to identify issues that could jeopardise the business area from achieving its operational plan objectives.

We introduced a risk management framework, linked to our corporate plan objectives, in 2005. We have a corporate risk register, which lists around 30 corporate risks. We have procedures that allow a risk from the local risk registers maintained in each of our business areas to be escalated up to the corporate risk register if required.

Summary of the principal risks identified by our Board of Management, and the mitigating actions we have taken:

- ◆ We improved our management and staff development frameworks, and developed a business case to relocate our Dalkeith operations to more flexible and fit-for-purpose accommodation. This addresses risks in the areas of staff recruitment and retention, and provision of a conducive working environment for our staff.
- ◆ We developed business cases to ensure that our qualifications, services, systems and processes continue to be relevant, efficient and easy to use. This addresses risks in the areas of keeping pace with customer and stakeholder expectations and national policy developments.

We have made further progress in addressing these risks. We will report on this in our Annual Report and Accounts for 2007-08.

## **2 Achievement of our Business Plan Objectives**

### **Objective 1: Provide qualifications and support to match the needs of individuals, society and the economy of Scotland**

#### **1.1 Deliver assessment, quality assurance and certification of SQA's qualifications**

##### **2006 diet of certification**

One of our primary responsibilities is the diet of assessments for National Courses for candidates in schools and colleges across Scotland.

There is a year-round cycle of assessment design, recruitment of markers and other appointees, quality assurance of coursework, and processing of appeals. This is in addition to the annual peak of assessment and certification activity between May and August. We monitor our progress across this range of tasks throughout the year and deliver the main run of certification in August in accordance with the key performance measures agreed with the Scottish Executive.

In financial year 2006–07, we met all the agreed performance targets for August certification. In the August 2006 Diet of National Courses, we issued certificates to 150,050 candidates. Throughout the year, certification of our wider portfolio of Higher National Qualifications and vocational qualifications was also completed in line with our agreed timetables.

Read about our Online Results pilot under Objective 3.1.

##### **Revised Scottish Qualifications Certificate**

In January 2007, we introduced a revised Scottish Qualifications Certificate (SQC). The SQC is a candidate's record of their qualifications. In response to feedback, we worked with candidates to improve the layout and make it easier to understand. The new SQC has three sections:

- ◆ Summary of attainment — this lists all the Group Awards, Courses and stand-alone Units that the candidate has achieved.
- ◆ Detailed record of attainment — this gives more detail about the qualifications achieved since the last certificate was issued.

- ◆ Profiles — this shows the candidate's current achievements in Core Skills and SCQF credits.

The certificate also gives information about the SCQF credit points and levels of the qualifications the candidate has achieved. You can read more about our progress with the SCQF under Objective 2.4.

### **Adapted question papers in digital format**

For the 2006 diet of certification, we piloted a limited number of question papers in digital format. This allows candidates with reading and/or writing difficulties to complete their assessments on-screen. Eight centres were provided with digital question papers for 34 candidates, for use in 18 subjects.

Our evaluation of the pilot showed that the use of digital question papers appropriately meets the needs of some candidates with disabilities and/or additional support needs who use ICT regularly in class. There are, though, additional resource implications for us and technical resource implications for our centres.

For the 2007 diet of certification, we have agreed to provide digital question papers as an assessment arrangement for candidates with disabilities and/or additional support needs in the centres which participated in the initial feasibility study or 2006 pilot. This will help to inform our decisions about the appropriateness of this arrangement in future.

### **Assessment arrangements**

In recent years there has been a significant increase in the number of requests for candidates requiring alternative assessment arrangements in their external National Qualification examinations.

In 2006–07, we launched an electronic method of submitting requests for alternative assessment arrangements. Centres are now able to access the system via our secure website. In autumn 2006, we issued user guides and held launch events for Co-ordinators, Learning Support and Centre Administration staff throughout Scotland to support the introduction of this new service.

Submitting requests electronically reduces the potential for inconsistency in data, as well as cutting the time required to submit and process alternative assessment arrangements. A recent survey of centres indicated a very high satisfaction rate with the software (84%).

In addition, approximately 85% of requests are now processed automatically (using validation which is built into the software)

resulting in our staff having more time to focus on customer service and providing expert advice and support for the most complex and sensitive requests.

Further enhancements to the software are planned for 2007-08.

## Performance Measures for National Qualifications Diet of Certification August 2006

	Measure	Target	Actual	Comment	
Issue of results	Electronic file to be sent to UCAS on <b>2 August 2006</b> (subject to confirmation), in an agreed format, showing the cumulative achievement of all relevant candidates identified by UCAS and notified to SQA.	100% on time	31.07.2006	Yes*	The UCAS file was sent on the 31st July ahead of agreed schedule. Note* - On Friday 4th it was detected that a number of results had not been processed correctly and following discussions with UCAS, we sent a file with details of 500 candidates with amended results. All results issued were accurate. No candidates were disadvantaged.
	Electronic file to be sent by <b>4 August 2006</b> to those centres that submit data electronically. The file will contain results for all candidates registered by the centre and entered for National Courses and units associated with these courses in the diet for 2006.	100% on time	04.08.2006	Yes	Electronic versions of the statements of results (SORs) were sent to centres on Thursday 3 August (after 17:30 hours). SEEMIS received their files on Wednesday 2 August for onward transmission to their centres on Thursday 3 August. Directors of Education were able to access candidate results on Monday 7 August via a secure site on SQA's website. Files were placed in the secure site on the afternoon of Sunday 6 August.
	Paper statement of results summary to be delivered by receipted delivery courier to all centres on <b>7 August 2006</b> .	100% on time	07.08.2006	Yes	Achieved. Paper reports of candidate results (SORs) for centres were despatched via special delivery service. Couriers were utilised for delivery to outlying areas. Process in place to ensure each package delivered was signed for by the receiving centre.
	By <b>8 August 2006</b> , certificates, or letters advising on unsuccessful achievement, to be delivered to all candidates who are due to receive a certificate in respect of the Summer Diet of National Courses. If SQA is aware of any circumstances that will prevent specific certificates or letters from being issued, SQA will inform the relevant centre(s) by <b>8 August 2006</b> of the certificates or letters that will be delayed and the reasons for this. It would be the responsibility of such centre(s) to advise their candidates accordingly. SQA will notify centres of all cases where a final grade was computed on the basis of partial data (other than where a formal absence has been recorded) by <b>8 August 2006</b> .	100% on time	08.08.2006	Yes	The print files for all certificates were received at the external printers by Friday 28 July, ahead of the Monday 31 July schedule. By Friday 28 July, all certificates had been printed. Certificates were despatched on time for delivery on 8 August.
	The Candidate On-line results service for enrolled users to be available by <b>8am on 8 August 2006</b> .	100% on time	07.08.2006	Yes	The Results Online service was available from 00:01 hours on 7 August 2006
	The Candidate On-line Text Messaging service for subscribed users to be available by <b>8am on 8 August 2006</b> .	100% on time	07.08.2006	Yes	Text messages were sent by 10:00 hours on 7 August 2006
	SQA will issue group award certificates weekly throughout the year. However, this will be suspended from 21 July to 4 August to allow certification of the diet of National Courses.		09.08.2006	Yes*	This year, processing of unit results for Colleges and ETP continued during the main diet with information being managed into the system as time allowed. Certificates were issued to eligible candidates when the certification process, outwith the main diet, resumed on schedule. Note* - Group Award certification resumed on 9th August, the first scheduled date post diet.
Accuracy	Certificates issued by SQA will be an accurate representation of the data held on SQA's database. This excludes cases where SQA know that the data held on the database is not yet complete or where inaccurate data has been supplied.	100% Standard Grade estimates and internal assessment marks processed	100%	Yes	<p><b>National Qualifications Courses</b></p> <p><i>Course Estimates</i> - As at 18 July, all of the 327,063 estimates expected had been processed.</p> <p><i>Entries and Results</i> - Following the stabilisation of the database on 22 July, the final total of open entries for the external assessments was 327,175. Of these cases, there were 10,357 entries where the candidate did not attempt any part of the external assessment, 231,588 entries which resulted in a pass, and 30,361 entries which narrowly failed (band 7).</p> <p>Of the 231,588 external assessment entries which resulted in a pass, 5,458 failed to achieve the corresponding course award due to one or more of the contributing units either: having a result of fail; having a missing entry; or having a missing result. Of these 5,458 entries, 1,189 involved the non-submission of a unit result, 984 involved a missing unit entry and therefore 3,285 must be due to a failed unit result.</p> <p>As at 18 July, 100% of forms with Standard Grade estimates and Internal Assessment marks had been received and processed.</p>
				Yes	
Queries	<p>This was changed in 2005 with non-delivery of a certificate being dealt with outwith the CQR database. Where a centre reports the non-delivery of a certificate, missing entries or other queries, the SQA will:</p> <p>Acknowledge receipt of the query within 3 working days and will resolve the query within a further 10 working days if possible;</p> <p>Indicate the reason for the delay and give a date by which the query will be resolved, if it has not been possible to resolve the query within this timescale.</p>	100% within SLAs	100%	Yes	<p>The <b>Candidate Advice</b> line was set up on the third floor of Optima between 8 August and 11 August. The advice line was integrated into the Customer Operations Department utilising existing workstations and telephones. This enabled utilisation of the Customer Contact Centre call logging and management system with "real time" monitoring of call volumes. Staff were also able to continue with their own work as well as answering candidate enquiries. The Boardroom was set up as a contingency but was released back to facilities on Wednesday 9 August as call volumes were as planned. Queries were logged in the Qset call management system and all queries were responded to within the published SLAs. Calls to the Advice Line number were diverted to the Customer Contact Centre from Friday 11 August.</p>
				Yes	<p>The <b>Centre Helpline</b> ran from 4<sup>th</sup> – 18<sup>th</sup> August. Queries were logged and resolved within the specified turnaround times stated in the performance measures.</p>
Appeals	Appeals clearly marked as 'Urgent', and submitted on time with all necessary information and supporting evidence requested by SQA in the correct format, will be dealt with and results sent to centres by <b>19 September 2006</b> where the number of urgent appeals does not exceed 3,000.	100% on time	14.09.2006	Yes	476 appeals were received which met the specified criteria - results were issued for all on 14 September 2006.

## **1.2 Develop SQA's portfolio of qualifications**

### **HN Modernisation**

The Higher National Modernisation programme began in August 2003 and is scheduled to be completed in December 2008. The partnership project<sup>1</sup> aims to produce a coherent, high-quality catalogue of Higher National Certificates (HNC), Diplomas (HND) and Higher National Units that is fit for purpose, cost-effective, and which will continue to meet the current and future needs of students, employers and the Scottish economy.

During 2006–07, we validated a further 37 consortium-developed qualifications, where we and colleges are working to modernise Higher National qualifications aligned to national standards.

Two HNCs that we had developed with NHS Education for Scotland (NES) for Allied Health Professions in 2005–06 were accredited by the Society and College of Radiographers during 2006–07. These HNCs in Diagnostic Imaging and Radiotherapy are being delivered by Dundee and Stow Colleges in partnership with local hospitals.

The focus of activity in the programme will now shift to specialist collaborative and single-centre qualifications. During 2006–07, we validated 14 specialist qualifications.

The project aims included identifying potential to consolidate the HN catalogue by identifying and eradicating any overlap between existing qualifications. During 2006–07, colleges have agreed to withdraw 22 specialist qualifications from the Modernisation programme. A number of these withdrawals resulted from colleges deciding to adopt consortium awards or work with other colleges rather than continuing to offer single-centre provision.

You can read more about our European Social Fund-funded work to support HN Modernisation under Objective 3.2.

### **Skills for Work**

During 2006–07 we continued to pilot, revise and develop a range of Skills for Work Courses. This is a new type of National Course which complements the aims of Curriculum for Excellence and Determined to Succeed.

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<sup>1</sup>Partners include SQA, Scotland's Colleges, the Scottish Funding Council (SFC), the Colleges Open Learning Exchange Group (COLEG) and the Scottish Further Education Unit (SFEU)

Aimed mainly at third- and fourth-year pupils in secondary schools, the Courses encourage young people to become familiar with the world of work, providing them with a variety of practical experiences that are linked to particular careers. The Courses help young people develop their self-confidence as well as acquire knowledge and skills that are important for employment and for life in general.

In August 2006, the end of the first year of this national pilot, we certificated 188 candidates. We completed an evaluation of this first year of the pilot, including a survey of all candidates due to complete their Skills for Work Courses in session 2005–06. We published the *Review of the First Year of the Pilot* in December 2006 (you can find it in the Skills for Work pages of our website). It shows that:

- ◆ 97.8% of candidates enjoyed their Skills for Work Courses
- ◆ 98.2% agreed that they had learnt about working with others
- ◆ 94.7% acknowledged they had learnt about what happens in the workplace
- ◆ 92.9% learnt to review their own work
- ◆ 94.7% learnt about the skills and attitudes employers want

We reviewed the five Phase 1 courses, and published an information pack highlighting the resulting revisions to these Courses.

Five additional Skills for Work Courses have been piloted during 2006–07 as part of the second phase of the pilot. Seventy centres, mainly colleges, are delivering the Courses, working in partnership with 255 schools as well as employers and training providers. Five thousand learners are working towards completion of these 10 Skills for Work Courses.

#### **Pilot Skills for Work Courses**

<b>Phase 1</b>	Construction Crafts	Intermediate 1
	Early Education and Childcare	Intermediate 1 and 2
	Sport and Recreation	Intermediate 1
	Financial Services	Intermediate 2
<b>Phase 2</b>	Construction Crafts	Intermediate 2
	Sport and Recreation	Intermediate 2
	Hairdressing	Intermediate 1
	Rural Skills	Intermediate 1

These 10 pilot Courses will be made available for mainstream use, subject to our standard approval processes, from 2007-08. The following three Courses will also be launched in April 2007 for mainstream use from 2007-08 onwards.

Hospitality	Intermediate 1
Engineering Skills	Intermediate 1
Health and Social Care	Higher

We continued to provide practical ‘hands-on’ support for centres and candidates participating in the pilot and have continued to develop the Skills for Work pages in the NQ section of our website. Customers have access to a range of useful resources including:

- ◆ Course arrangement documents
- ◆ Launch and roll-out information
- ◆ Pilot newsletters
- ◆ Reports
- ◆ Results of our candidate survey

The site also provides links to the Scottish Further Education Unit learning and teaching support materials for each course, and a range of audio clip ‘case studies’ from various stakeholders.

### **National Qualifications Group Awards**

In 2005-06, we consulted partners on proposed design principles for non-advanced Group Awards (National Certificates and National Progression Awards), following an earlier review and consultation to establish a system of qualifications that is:

- ◆ fit for purpose and up-to-date
- ◆ simple to understand
- ◆ straightforward and cost-effective for centres and us to operate

We also established the management arrangements for the programme, including setting up the National Qualification Group Awards Key Partners’ Group (NQGA) and NQGA Programme Board<sup>2</sup>. The NQGA development programme began in August 2005, and we

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<sup>2</sup> The NQGA Key Partners’ Group includes representation from SQA, the Scottish Further Education Unit, Colleges’ Open Learning Group, Association of Scottish Colleges, Scottish Executive and Scottish Funding Council.

completed preliminary research for 12 high-priority occupational sectors. We also carried out similar research for generic servicing areas such as Communication and Project Planning.

In 2006–07, work began on 27 National Certificates and eight National Progression Awards. Five National Certificates and 12 National Progression Awards have been presented for validation. Building on this progress, we have completed preliminary research for five additional occupational sectors, and development work in these areas is underway. We publish monthly updates on the programme's progress on our website.

In January 2007, we held the first NQGA Conference with input from Scottish Further Education Unit (SFEU), COLEG (Colleges Open Learning Exchange Group), SEMTA (Science, Engineering, Manufacturing Technologies Alliance) and Tayside further education colleges.

We have completed a series of centre visits which will inform further work to establish requirements for specialist non-advanced provision in future years.

### **Core Skills for the Future**

We are responsible for the care and maintenance of the Core Skills Framework. This includes a responsibility to ensure that the Framework remains current and continues to meet the needs of all our stakeholders. This means that it is important to refresh the Framework periodically.

During 2006–07, we commissioned research into national and international initiatives related to Core Skills. The research also looked at the demands from employers through a range of bodies including Sector Skills Councils. It showed that the Core Skills of Numeracy, Using Information Technology and Working with Others needed to be refreshed to reduce barriers; better meet the needs of employers; and increase opportunities for learning. The Core Skills of Communication and Problem Solving will remain unchanged, though we are planning to develop additional examples to provide contextualised guidance.

At all stages of the development, we kept external stakeholders informed of this limited refresh. We held meetings with major stakeholders such as the Scottish Executive, HMIE and Learning and Teaching Scotland. We also established a Key Partners' Group which includes a wide range of our stakeholders to ensure that proposals for Core Skills take into account current national policy initiatives.

We implemented our strategy for communicating with stakeholders through regular Core Skills for the Future Bulletins, national

engagement events, and provision of a web space for discussion. We are gathering feedback through these routes to inform the refresh of the Core Skills Framework, and will continue to engage with our colleagues during the development of the associated qualifications.

### **Pilot of Professional Development Awards at SCQF level 9+**

In 2006–07, we continued to investigate the potential benefits of increasing our provision at SCQF level 9 and above. The project will offer high-level vocational alternatives to traditional degree pathways, and will help diversify lifelong learning opportunities for learners progressing from HNDs and SVQs at level 4. It will also provide enhanced specialised and flexible continuing professional development (CPD) to satisfy the changing demands of workplace learners.

We commissioned research to investigate the potential demand for vocational qualifications at SCQF level 9 and above among centres, employers, learners and other relevant stakeholders. The research also helped identify current provision at this level. The findings indicated that there was potential to carry out pilot activity in several areas:

- ◆ Audio-visual Industries (television and radio)
- ◆ Personal Enterprise
- ◆ Practice Learning
- ◆ Practice Learning (Social Services)
- ◆ Chemicals and Bio-processing
- ◆ Oil and Gas
- ◆ Professional Photography
- ◆ Professional Dance
- ◆ Marine Management

We established a Steering Group for the project. Colleges participating in the initial stages of the pilot are represented.

We have started the development of a limited suite of full-time equivalent Professional Development Awards (PDA) at SCQF level 9 and above. We have validated a PDA (Advanced Diploma) at SCQF level 9 in Personal Enterprise. We have presented for validation a PDA in Professional Photography at SCQF level 9 and two PDAs at SCQF level 10 in Practice Learning (Social Services) and Practice Learning. We have completed consultations on the development of a full-time PDA in Professional Dance and also on the development of shorter part-time PDAs at SCQF level 9 in the Creative Industries (television and radio), Engineering, Marine Management, a Graduate

Conversion Course in Oil and Gas, Practice Learning and Practice Learning (Social Services)<sup>3</sup>.

Each pilot development is being managed in partnership with key stakeholders including employers, Sector Skills Councils, professional bodies and education providers.

### **1.3 Develop and deliver the accreditation function**

The main functions set out in our founding legislation, the Education (Scotland) Act 1996, include the regulatory role of our Accreditation Unit for vocational qualifications:

- ◆ co-management of the National Occupational Standards programme with the other UK regulators
- ◆ approval of awarding bodies and the subsequent accreditation of SVQs
- ◆ auditing awarding bodies which are approved to offer SVQs

#### **Review of accreditation**

In 2006–07, we completed a review of our Accreditation Unit and regulation in the light of the significant change in the environment in which it operates. This review, which ran from June–December 2006, included the following four strands of work:

- ◆ a review of the current functions of the Accreditation Unit
- ◆ a stakeholder survey looking at the outputs of the Accreditation Unit's various functions, particularly in terms of the value delivered to stakeholders and to SQA
- ◆ a review of the environment in which the Accreditation Unit operates
- ◆ a review of regulation

The key outputs from these strands confirmed that the majority of awarding bodies, Sector Skills Councils and other Standards Setting Bodies are satisfied with the level of service provided by the Accreditation Unit. The staff of the Unit are seen as one of its strengths. Generally, the Unit's stakeholders felt that the Unit is responsive and that it adopts a pragmatic approach in dealing with responses and enquiries.

The review of regulation highlighted the differences between Scotland and the rest of the UK in relation to the link between

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<sup>3</sup> Our consultation on shorter PDAs in Practice Learning has included proposals for development of qualifications at SCQF levels 7, 9 and 10.

regulation (accreditation) and funding of regulated qualifications (in Scotland, there is no link between regulation and funding).

The review recommended that we should, with ministerial support, extend the remit of the Accreditation Unit to cover a wider range of qualifications. Because there are no immediate drivers demanding that awarding bodies seek accreditation, the review found that it would be necessary to consider an approach which would encourage awarding bodies to seek accreditation.

One approach would be to create a standard which could be applied as a mark of quality assurance to qualifications awarded in Scotland. This could be promoted to learners, parents, centres and employers, and would help learners to make informed choices about qualifications and awarding bodies. A broader accreditation remit could assist in ensuring that qualifications delivered via Scotland's colleges and schools are fit for purpose.

The review's recommendations were approved by our Accreditation Committee in March 2007, and will be presented to our Board of Management in May 2007 ahead of detailed discussions with the Scottish Executive.

In 2005-06, we secured ministerial approval to extend our accreditation function to cover:

- ◆ vocational qualifications which are directly and exclusively based on National Occupational Standards
- ◆ qualifications which are required by other industry regulatory bodies

In 2006-07, we approved five awarding bodies in the Security sector and accredited 13 of their qualifications to support the work of the Security Industry Authority in Scotland. The four new awarding bodies (BIIAB, ASET, NOCN and Edexcel) are now subject to audit by the Accreditation Unit. We carried out the first of these audits in February 2007.

In 2005-06, we began work with the other UK regulatory bodies<sup>4</sup> to explore collaborative working on regulatory practices. In 2006-07, we continued this work and jointly published two documents: *Regulatory Monitoring and Reporting*, and *Awarding Body Guidance for Self-Assessment*. We commenced a pilot project with QCA, CCEA and DELLS on self-assessment, and this work will inform our

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<sup>4</sup> The other UK regulatory bodies are the Qualifications and Curriculum Authority (QCA), the Department for Education, Lifelong Learning and Skills (DELSS) in Wales and the Northern Ireland Council for the Curriculum, Examinations and Assessment (CCEA).

on-going regulatory activities, as well as any additional regulatory activity resulting from the review of accreditation.

In 2006–07, the Scottish Executive funded the second year of a three-year project on allocating SCQF credit and level to SVQs, with a view to identifying appropriate methodologies. The scope of the work has been increased to explore how SCQF credit and level might be allocated to Modern Apprenticeship Frameworks. As part of this, we have allocated SCQF credit and level to 762 Units from 34 SVQs, and to 55 Vocationally Related Qualifications (133 Units) from eight Modern Apprenticeship Frameworks.

## **1.4 Provide information, materials and training to support understanding and delivery of SQA qualifications and assessment**

### **Understanding Standards**

Following our review of Estimates, Derived Grades and Appeals, we published an updated guidance document *Estimates, Absentees and Assessment Appeals: Guidance on Evidence Requirements* in October 2006.

As part of our commitment to work with teachers, lecturers and partners to enhance the understanding of standards, we hosted events in January and February for key teaching staff.

The events, held in Inverness, Perth, Edinburgh, Glasgow and Stirling, provided opportunities for:

- ◆ us to share the findings of our review of Estimates, Derived Grades and Appeals
- ◆ delegates to familiarise themselves with the updated guidance on Estimates, Absentees and Assessment Appeals
- ◆ delegates to clarify issues

The events were highly successful — 99% of delegates reported that they were satisfied or very satisfied with the relevance of the workshop content. Following requests from delegates, we published the presentations and workshop materials used at these events on our website.

Our 2006 programme of Professional Development Workshops (PDW) covered 21 Courses. Ninety four percent of the delegate places were taken and of the delegates attending, 98% reported that they were satisfied or very satisfied with these events. Feedback from delegates has been used to inform our 2007 NQ PDW programme.

In 2006–07, we continued to expand our use of ICT to support staff in centres delivering our qualifications.

Our Understanding Standards website includes examples of the standards expected in external assessments for National Qualifications. We have expanded the information on the website so that it now covers 86% of all candidate entries at Higher and 45% at Intermediate 2. We have also begun preparatory work to extend the information available on our Understanding Standards website to offer support for staff responsible for assessing the new HN Graded Units.

Our SQA Academy provides access to online materials that are designed to help teachers and lecturers work with our qualifications and assessments. We piloted six packages of materials through the Academy website during 2006–07, including workshops on objective testing, and we also provided support for a number of training and consultation exercises. We plan to extend the number of packages in 2007–08. (You can read more about our SQA Academy website under Objective 4.1.)

We are working closely with the General Teaching Council for Scotland (GTCS) to help ensure that teaching professionals accessing SQA Academy or Understanding Standards materials can use them as the basis for recognition under the GTC’s Professional Recognition Framework.

### **1.5 Increase our understanding of stakeholder and customer needs and priorities**

With a view to increasing our understanding of stakeholder needs, we carried out a consultation on stakeholder views as part of the development of our Corporate and Business Plan 2007–10. In autumn 2006, we presented our draft Plans to Scottish Executive colleagues, and circulated our draft Plan to 17 key organisations in education and training. We also sought comments on the draft Plan from our Partnership Group<sup>5</sup> and staff. We received a strong response to this consultation, and reflected this feedback in the final Plan. You can read more about our Corporate and Business Plan 2007–10 in section 3 of this Report.

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<sup>5</sup> Our Partnership Group, linked to the completion of our Partnership Agreement in September 2005, includes representation from our management team and our three recognised trade unions (Amicus MSF, T&G and Unison).

## **Candidate engagement**

For the first time, we conducted a survey of our candidates to establish their views on the qualifications they are undertaking. We surveyed four groups:

- ◆ SVQ candidates
- ◆ HNC/HND candidates
- ◆ S4 NQ and Standard Grade candidates
- ◆ S5, S6 and FE NQ and Standard Grade candidates

We distributed 6,080 questionnaires with response rates ranging from 18.5% for SVQ candidates to 30.1% for National Qualifications/Standard Grade candidates in S4.

The survey findings included:

- ◆ The main motivating factors for NQ candidates are access to higher education and further study. These are less of an issue for HNC/HND candidates and minimal factors for SVQ candidates.
- ◆ SVQ candidates are frequently required to undertake their qualification for their employment.
- ◆ All groups stated that improving their employment prospects, personal development and interest were important motivating factors.
- ◆ Almost all candidates felt their qualifications would help them achieve their goals. Most also felt that they would get the skills and knowledge they would need, and would be able to play a significant part in society.
- ◆ Most NQ candidates and a significant proportion of SVQ and HNC/HND candidates will go on to do other SQA qualifications in the future.
- ◆ In general, candidates do not believe assessment is an excessive burden, although there are more concerns amongst NQ candidates than others.
- ◆ The amount of work in qualifications is about right.
- ◆ Some candidates are sceptical of increased use of technology in assessment and learning, but a majority are supportive of such a change.
- ◆ Most candidates enjoyed and were satisfied with their qualifications.

We have published a full report of the findings in the Research Bulletin area on our website. (You can read more about other Research Bulletins we published in 2006-07 under objective 2.2.)

### **Launch of customer e-zine**

In November 2005, we launched a free monthly e-zine, *Connecting with SQA*, to keep customers and stakeholders updated with the latest news and developments, events and publications from all areas of our business.

During 2006–07, we continued to increase the number of registered e-zine subscribers to 2,500. You can subscribe on our website at [www.sqa.org.uk](http://www.sqa.org.uk).

## **Objective 2: Inform and support national policy development and implementation**

### **2.1 Maintain existing and establish new strategic relationships with key national and international partners**

#### **Skills agenda**

In response to recent and continuing changes in the UK skills landscape, we have reviewed our strategy for engagement in this market with the aim of maximising opportunities for us and for Scottish learners. The strategy considers both strategic and operational involvement. This means preserving the strengths of Scottish distinctiveness while presenting ourselves as a significant player in the UK arena.

In terms of strategic engagement, we made a significant contribution through our on-going representation on the UK Vocational Qualifications Reform Programme Board and its sub-strands; the Scottish Stakeholders Group; and the Sector Skills Agreement Project Board. We also submitted an extensive response to the Scottish Executive's consultation on the refresh of Scotland's Lifelong Learning Strategy. In 2007–08, we will continue to work with our partners to consider Scotland's response to the Leitch Review of Skills.

Operationally, we secured recognition by the three regulatory authorities<sup>6</sup> to operate as an awarding body in England, Wales and Northern Ireland. (You can read about our involvement in the developing qualifications framework for England, Wales and Northern Ireland under Objective 2.4.)

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<sup>6</sup> The three regulatory authorities are the Qualifications and Curriculum Authority (QCA), Department for Education, Lifelong Learning and Skills (DELLS) in Wales and the Northern Ireland Council for the Curriculum, Examinations and Assessment (CCEA).

## **HE liaison**

During 2006–07, we continued to work with higher education (HE) colleagues to ensure understanding and recognition of our qualifications. For example, we have secured written agreement from five Scottish Higher Education Institutions (HEIs)<sup>7</sup> to accept our new Higher English for Speakers of Other Languages (ESOL) for progression to HE. We participated in a keynote panel debate and ran a workshop on Scottish qualifications at the Universities and Colleges Admissions Service (UCAS) annual conference in March 2007. Admissions officers from Scottish HEIs have invited us to take up membership of the Scottish Practitioners' Group, in recognition of support provided during the results period.

We have established a working group to promote recognition of our Advanced Higher qualifications. We completed a series of presentations to eight English HEIs, and attended Oxbridge fairs in Glasgow and Edinburgh. We began preparatory work to ensure that National Certificates and National Progression Awards at SCQF level 6 are included in the UCAS tariff. (For more information about National Certificates and National Progression Awards, see Objective 1.2.)

## **Highlands and Islands Strategy**

Recognising the diversity of Scotland's population, we published a strategy to ensure that our qualifications and services meet the needs of candidates and employers in the Highlands and Islands.

We held initial discussions with stakeholder organisations to inform our strategy document. This outlines our plans to work more closely with local authorities, Careers Scotland and Highlands and Islands Enterprise. We held a launch event for our Highlands and Islands Strategy in August 2006 that included the signing of a Memorandum of Understanding with the University of the Highlands and Islands Millennium Institute.

We have established a steering group to advise on the special priorities of the Highlands and Islands, and initial areas of focus for the group have been agreed as Science and Technology, Healthcare and Creative Industries, as well as ESOL, NEET, Construction, Gaelic and Energy/Sustainability.

The steering group will meet regularly during 2007–08 to ensure that our qualifications and services continue to meet the distinct needs of Scotland's Highlands and Islands communities.

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<sup>7</sup> Scottish HEIs which have agreed to accept Higher ESOL are Glasgow University, St Andrews University, Aberdeen University, Dundee University and Heriot-Watt University.

## **Mapping Polish qualifications**

In line with the growing value of migrant workers to Scotland's economy, we have developed an online resource which helps employer organisations and training providers to understand the key features of Polish non-degree qualifications. We hosted a launch event for the 'ready reckoner', which includes a broad comparison with Scottish qualifications, in January 2007.

We have promoted the resource to stakeholders<sup>8</sup>, who have made extensive use of the information. The Scottish Executive has now incorporated our link in its Welcome Pack for migrant workers from Poland, as well as its [www.scotlandistheplace.com](http://www.scotlandistheplace.com) website. The Polish Club, Sector Skills Development Agency and Glasgow City Council have also used their own networks to disseminate this information more widely.

## **Partners in Learning**

Since 2005–06, we have led the Scottish Advisory Council for Microsoft's 'Partners in Learning' global educational initiative<sup>9</sup>, which aims to develop innovative uses of technology in teaching and learning through developing an Innovative Teacher Programme in schools in Scotland.

In 2006–07, the partnership funded a number of Challenge Fund projects piloting innovative use of technology in teaching and learning including:

- ◆ use of podcasting, MP3 players and Personal Digital Assistants with data logging equipment
- ◆ animation projects and making videos in class
- ◆ class voting systems

We hosted a showcase event for the most successful projects in February 2007. This also included awards to recognise 'Innovative Teachers' across Scotland. The winners attended the European competition in Paris.

We hosted a workshop on Building Communities of Practice (how to build online communities of subject specialists). Etienne Wenger, a world authority on developing online educational communities, delivered this workshop.

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<sup>8</sup> Including Scottish Executive Fresh Talent Team, the SSDA, Scottish Enterprise and HIE, Citizens' Advice Bureaux, Polish cultural organisations, Careers Scotland, the ASC, as well as council offices around the country.

<sup>9</sup> Partners include SQA, Scottish Executive, Learning and Teaching Scotland, Her Majesty's Inspectorate for Education and the General Teaching Council for Scotland.

We piloted an online Business Enterprise game (based on running a virtual Sports Store) in 35 schools, with a range of resources for Scottish teachers. The game will be launched in May 2007 in partnership with the teams in the Scottish Premier League. The game has been developed in a partnership between Scottish schools, The Small Business Company and Microsoft.

## **DIVA**

In 2006–07, we concluded negotiations to expand our Digital Media and ICT Vendor Alliance (DIVA) to include 12 global IT companies<sup>10</sup>. The Alliance aims to enhance our portfolio in a number of areas, including IT. We launched DIVA to:

- ◆ help Scottish learners to attain global standards
- ◆ provide support to up-skill lecturers, teachers and trainers in a range of subject areas
- ◆ provide access to free or heavily discounted learning resources for students and centres
- ◆ position Scottish Education alongside the best in the world

In 2006–07, we made progress across these four strands of activity.

**Help Scottish learners to attain global standards:** We produced six new Units and mappings for Cisco and CompTIA certification, allowing candidates to gain vendor awards in addition to our certification. This consolidates work completed in the previous year on Microsoft, CISCO and Oracle certification.

**Provide support to up-skill lecturers, teachers and trainers in a range of subject areas:** in partnership with our lead centre Adam Smith College and AVID, we ran five workshops for the Creative and Video Arts Consortium of Colleges. The training specialists were provided by AVID free of charge.

In partnership with our lead centre Cardonald College, we ran five workshops and events to promote and support the delivery of Microsoft certification within existing HN provision.

In partnership with the Oracle Academy, 40 teaching staff from schools and colleges attended a free week-long training workshop in San Diego, California

**Provide access to free or heavily discounted learning resources for students and centres:** we identified and secured access to training materials from Adobe. These were piloted in a number of

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<sup>10</sup> New members joining the DIVA alliance during 2006–07 were AutoDesk, Serif, IBM, Digidesign and Certified Internet Webmaster (CIW).

schools and colleges in 2006. The materials form the support package for a Digital Design Course at SCQF level 5 which has now been produced.

We produced an Access 3 (SCQF level 3) Digital Literacy Programme enriched by free teaching materials from Microsoft. Scotland was the first country in the world to access these learning and teaching materials.

AVID training and curriculum materials have been mapped to support students working in Higher National Video Editing and Production. These will be free to Scottish centres.

**Position Scottish Education alongside the best in the world:** DIVA has been recognised and endorsed by Sector Skills Councils e-Skills and Skillset as setting the pace at a UK level. SQA staff attended the Cisco Public Services Summit in Nobel Week and addressed the Microsoft Global Schools for the Future conference in November. In both cases, Scotland's learners and Scotland's schools and colleges were exemplified as setting the global standard.

## **2.2 Provide information and advice to inform policy and decision making**

### **Research Bulletins**

During 2006-07, we published eight Research Bulletins on our website:

- ◆ *Engaging with Candidates*
- ◆ *Review of Workplace Core Skills: Delivery and Assessment*
- ◆ *Training Activities and Engagement with Qualifications in the Social Economy: A Summary*
- ◆ *Unsuccessful Appeals Forms*
- ◆ *Assessment: A Literature Review*
- ◆ *Profiles of Achievement: An investigation into international developments*
- ◆ *Differing national models of short cycle, work-related higher education provision in Scotland and England*
- ◆ *Diversity and Innovation in Assessment Practices in Higher Education Institutions and by Employers and Training Providers*

### **Review of Estimates, Derived Grades and Appeals**

In 2006-07, we completed a review of Estimates, Derived Grades and Appeals, following on from work we started during 2005-06.

Four reports<sup>11</sup> fed into the final report on the Review of Derived Grades, Estimates and Appeals. We also explored the various options for change, and their implications for learners and centres, with stakeholders. The final report recommended that, starting from the 2007 diet of certification for National Courses and Standard Grades:

- ◆ The derived grades procedure should be withdrawn.
- ◆ All candidates with a result at a lower grade than their estimate should be eligible for appeals, instead of some candidates receiving derived grades.
- ◆ Examiners should consider evidence for all authorised absentees instead of some absentees receiving derived grades.
- ◆ As part of this change and of on-going efforts to increase the general understanding of standards, we should undertake a focused programme of teacher/lecturer development, building on current Understanding Standards activities.

The report and recommendations were approved by our Qualifications Committee and Board of Management. (Read more about the workshops we held to launch our updated guidance document *Estimates, Absentees and Assessment Appeals: Guidance on Evidence Requirements* under Objective 1.4.)

### Consultation responses

We responded to the following consultations:

Area	Consultation
Scottish Executive	◆ Protecting Vulnerable Groups: Scottish Vetting and Barring Scheme
	◆ Evaluation of the Skills for Business Network
	◆ Age and Experience — A Strategy for Scotland with an Ageing Population
	◆ Consultation on Modern Apprenticeships
	◆ De-merger of Careers Scotland from Scottish Enterprise
	◆ Future European Structural Funds
	◆ Science and Innovation Strategy for Scotland
	◆ Lifelong Learning Strategy

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<sup>11</sup> The four reports were a review of Estimates of Course results, a review of Derived Grades, a review of Appeals, and a comparative analysis on the basis of awards.

	<ul style="list-style-type: none"> <li>◆ Leitch Review of Skills</li> <li>◆ Proposed Merger of Bell College of Technology and the University of Paisley</li> </ul>
Quality Assurance Agency for Higher Education	<ul style="list-style-type: none"> <li>◆ Facilitating Credit-Based Links in Higher Education: Guidelines to Support Colleges and Higher Education Institutions</li> </ul>
Disability Rights Commission	<ul style="list-style-type: none"> <li>◆ Extension of the DDA to Cover General Qualifications Bodies Draft Code of Practice</li> <li>◆ Revised Code of Practice on Part 4 DDA — Post-16 Education</li> </ul>
Equal Opportunities Commission	<ul style="list-style-type: none"> <li>◆ Gender Equality Duty Draft Code of Practice Scotland</li> </ul>
e-skills UK	<ul style="list-style-type: none"> <li>◆ Information and Communications Technologies Sector Qualifications Strategy</li> </ul>
Sector Skills Development Agency	<ul style="list-style-type: none"> <li>◆ New Proposed Criteria for Standard Setting Bodies and National Occupational Standards</li> </ul>
SQA Accreditation	<ul style="list-style-type: none"> <li>◆ Criteria and Guidance for Awarding Bodies</li> </ul>
Department for Education & Skills	<ul style="list-style-type: none"> <li>◆ European Credit System for Vocational Education and Training</li> <li>◆ Regulations on the Extension of DDA to Cover General Qualifications Bodies</li> </ul>
Audit Scotland	<ul style="list-style-type: none"> <li>◆ Revised Code of Audit Practice</li> </ul>

## **2.3 Implement the outcomes of policy developments in relation to qualifications and assessment**

### **Curriculum for Excellence**

We are one of the four partner national organisations<sup>12</sup> involved in the Curriculum for Excellence programme of work. We are involved in all strands of activity, including work with partners to draft curriculum outcomes, and to review performance and accountability measures. Our principal role is to lead work on qualifications and assessment, a key strand of the programme.

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<sup>12</sup> With the Scottish Executive, Learning and Teaching Scotland, and HMLe.

In 2006–07, we were asked by the Assessment and Qualifications Task Group (AQTG) to undertake research and engage with stakeholders to help prepare options for a wide-ranging consultation exercise to be completed in 2007–08. This will include consideration of options for qualifications at SCQF levels 4 and 5 (Standard Grade and National Courses at Intermediate 1 and 2). Ministers intend to retain Access, Higher and Advanced Higher as points of stability within the system.

In 2006–07, we carried out a programme of pre-consultation interviews and seminars with staff and learners in schools and colleges. These interviews were designed to identify the main strengths of the existing qualifications which should be retained in the options and proposals for future arrangements.

### **Assessment is for Learning**

During 2006–07, we carried out a range of tasks for the Scottish Executive as part of its Assessment is for Learning (AifL) programme.

We were involved principally in two projects: the 5–14 National Assessment Bank, an online facility which allows teachers to download assessment tasks for use in the classroom; and the annual Scottish Survey of Achievement. In 2006–07, we continued to refresh the content of the 5–14 National Assessment Bank, and completed the translation of all the reading, writing and numeracy tasks into Gaelic.

Thirty-six thousand pupils attending 1,350 primary and secondary schools across Scotland participated in the 2006 Scottish Survey of Achievement, which focused on Social Subjects enquiry skills. We completed:

- ◆ production and quality assurance of all assessment materials
- ◆ printing and distribution of 100,000 pupil booklets with individual identifiers
- ◆ printing and distribution of assessment tasks for use by field officers
- ◆ marking and data capture of written booklets
- ◆ data capture of practical assessment tasks
- ◆ training and de-briefing of field officers
- ◆ moderation of writing
- ◆ task development reports for the main SSA report

We have also completed task development for the 2007 Scottish Survey of Achievement, which will focus on Science. This has

involved the development of assessment tasks for Science knowledge and understanding, Science literacy, and practical aspects of Science. A proportion of the science knowledge and understanding booklets has been translated into Gaelic. Booklets will be distributed to schools during April 2007.

We have made materials to support training of Survey Field Officers available through our SQA Academy website. (You can read more about our SQA Academy website under Objective 1.4.)

## **2.4 Play a leading role in the implementation of the Scottish Credit and Qualifications Framework**

### **SCQF**

During 2006–07, the development partners of the Scottish Credit and Qualifications Framework set up new arrangements for managing the Framework. A new company limited by guarantee has been formed, called the SCQF Partnership. The first meeting of its Board took place in November 2006<sup>13</sup>. We are represented on the Board and newly established Quality Committee. The SCQF Partnership's role is to:

- ◆ maintain the quality and integrity of the Scottish Credit and Qualifications Framework
- ◆ promote the Scottish Credit and Qualifications Framework as a tool to support lifelong learning
- ◆ develop and maintain articulation agreements between the SCQF and frameworks in other parts of the UK, Europe and internationally

Starting in January 2007, SCQF information is now reported in more detail on the revised Scottish Qualifications Certificate (SQC). This includes reporting against unit achievement as well as in the profile section of the Certificate. (You can read more about the revised SQC under Objective 1.1.)

### **Credit-rating**

As part of our activity to promote the SCQF as a tool to support lifelong learning, we supported a Scottish Executive-funded pilot project to extend the facility to credit rate qualifications to Scotland's colleges. We participated in the steering group for the project as well as providing mentors and workshop resources to help colleges build capacity to credit rate. The extension of credit

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<sup>13</sup> The Board is chaired by Dr Andrew Cubie, and includes representation from SQA, Quality Assurance Agency for Scotland, Universities Scotland, Scotland's Colleges and the Scottish Executive's Lifelong Learning Directorate.

rating to the college sector increases the potential for a wider range of qualifications to be brought into the SCQF.

The pilot was evaluated by HMIe which found that the project was successful in meeting its aims in identifying workable models of credit rating for the college sector.

We developed a variety of materials to support the credit rating process. These materials include our Higher National Unit in Credit Rating: Principles and Practice and assessment exemplar and supporting training pack completed during 2006–07. In 2007–08, we will roll out this material through internal and external training events.

### **Wider context**

With a view to supporting the development of relationships between the SCQF and other frameworks, we contributed to a number of consultations and seminars during 2006–07.

We hosted the annual meeting of the Five Country Qualifications and Framework Group in September 2006<sup>14</sup>. This forum allows delegates from each country to publicise and discuss qualification framework and quality assurance issues and developments. In line with the Group's aims to promote transparency of qualifications across borders, an interactive online guide illustrating how qualifications and frameworks compare across borders was published in November 2006. This guide was based on the 2005 publication *Qualifications can cross boundaries – a rough guide to comparing qualifications in the UK and Ireland*.

With partners<sup>15</sup>, we participated in research to explore the potential articulation of the SCQF to the developing Qualifications and Credit Framework (QCF) for England, Wales and Northern Ireland. This project will inform future work to establish an approach to aligning frameworks and reaching articulation agreements. We also secured a contract to participate in trial and testing of the QCF, with a first evaluation report due in July 2007.

At a European level, we have represented the UK on the Technical Working Group developing a proposal for a European credit transfer system for vocational education and training (VET). We responded to two studies on the readiness of EU member states for credit

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<sup>14</sup> This includes the national framework authorities and national qualifications regulators representing Scotland, England, Wales, Northern Ireland and the Republic of Ireland.

<sup>15</sup> Our partners are the Qualifications and Curriculum Authority (QCA), Department for Education, Lifelong Learning and Skills (DELLS) in Wales and the Northern Ireland Council for the Curriculum, Examinations and Assessment (CCEA).

transfer systems for VET, and contributed to the pre-launch event for the proposed system in Helsinki in October 2006. We contributed to an SCQF seminar on this proposal in February 2007, and to the SCQF response to the consultation, as well as submitting our own response.

We also continued to contribute to proposals to develop a European Qualifications Framework for lifelong learning, working with colleagues at the UK Department for Education and Skills.

## **Objective 3: Re-design our services and processes to make them better to use and more efficient**

### **3.1 Expand services for the management of candidate information**

#### **Results Online**

In August 2006, 440 candidates undertaking National Courses and Standard Grades at centres in the Western Isles, Orkney and Shetland took up the option to view their results online a day early. One hundred and fifty-nine of these candidates also used the results text alert subscription service. An evaluation of the pilot demonstrated that:

- ◆ 98% of respondents said that enhanced access to results was an important factor in registering for the service
- ◆ 98% of respondents found it easy or very easy to register for the service
- ◆ 98% of respondents found it easy or very easy to access their results using the service
- ◆ all respondents said that the layout and content of the site were easy to understand

We completed preparations in 2006–07 to build on this progress by extending the service to all our candidates, starting from January 2007.

#### **Working with Highlands and Islands Enterprise**

In 2005–06, we developed a service to enable colleagues from Scottish Enterprise to access entry information for funded trainees who are completing our qualifications.

During 2006–07, we completed preparatory work to extend this service to Highlands and Islands Enterprise (HIE). This will mean

that HIE colleagues will be able to confirm entry information more easily for candidates receiving funding from HIE to complete our qualifications. It is anticipated that the service will go live early in 2007–08, when HIE colleagues have completed their final preparations.

## **3.2 Expand provision of e-assessment and e-learning resources**

### **E-learning and e-assessment resources**

In response to the learner and centre demand for e-learning and e-assessment material, we continued to increase availability in 2006–07. To do this, we worked in close partnership with our centres, other national agencies and funding providers.

We consulted on our *Strategy and Vision for e-Assessment* during the year. We also sought the views of learners on increased use of e-assessment, to ensure that our work is based on a clear understanding of the needs and expectations of centres and learners.

The consultation findings demonstrated that both centre staff and learners were broadly supportive of increased use of e-assessment, while recognising some of the challenges that need to be addressed. These include the needs: to enhance staff skills in working with ICT; to ensure that e-assessment is used as part of effective teaching and learning; and to provide a delivery infrastructure that is robust, secure and coherent across all centres. Analysis of the consultation findings will inform a refresh of our *Strategy and Vision for e-Assessment* for publication in 2007–08.

### **E-assessment in action**

As part of the 2006 diet of certification, 63 candidates in seven centres used computers to sit part of the Higher and Intermediate 2 external assessment in Biotechnology. Based on positive feedback from the candidates and teaching staff involved in this pilot, we intend to deliver the Biotechnology assessment on screen again as part of the 2007 diet of certification. We will also offer a number of centres the opportunity to sit part of the Physics Intermediate 1 examination on screen.

Up to 1,000 candidates in 27 centres were also offered access to electronic National Assessment Bank materials (e-NABs) in Higher Mathematics and in Computing and Computing Studies at Intermediate 1 and 2 levels. Of these candidates, 400 undertook summative e-assessments as part of the 2006 diet of certification. The remaining 600 candidates used the formative e-assessments to support their learning during the 2005–06 academic session.

We have continued our partnership with the Scottish Funding Council and the European Social Fund to create e-learning and e-assessment support materials to support newly modernised frameworks for Higher National Qualifications<sup>16</sup>. In 2006–07, we worked with partners to create:

- ◆ 443 assessment exemplars to support modernised and validated HN Units
- ◆ 94 teaching and learning packs for a selection of Units
- ◆ 300 summative e-assessments for selected HN Units through the SOLAR project

(You can read more about our progress in modernising our Higher National Qualifications under Objective 1.2.)

We played a key role in establishing the Colleges e-Activity Steering Group (chaired by a college Principal) during 2006–07 to direct e-activity in colleges to achieve maximum impact<sup>17</sup>.

In 2006–07, we initiated an innovative project to explore the use of social software to strengthen the validity and reliability of assessment of group work by identifying the contribution of each member of the group. We have agreed the project approach with a small number of centres and one of our examining teams. In 2007–08, we will pilot the new approach in one subject area and evaluate the outcomes, including a review of any potential for social software to support new forms of assessment emerging from *Curriculum for Excellence*.

### **3.3 Enhance question paper production processes and security**

#### **Question papers**

After initial piloting, we have made a secure forum and e-mail service to support setting of question papers available to our examining teams. Question paper setting teams can now post materials to, and communicate electronically in, a secure environment.

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<sup>16</sup> This work was enabled in part by an increase in SQA's ESF grant from the original £1.2 million to £1.8 million over the year based on the outputs generated and the positive reaction to them amongst users in Scotland's colleges.

<sup>17</sup> The Colleges e-activity Steering Group includes representatives from colleges, SQA, SFEU, COLEG, HMIe and JISC.

After piloting in several centres, and negotiations with SEED, we initiated a change in the way we deliver question papers to centres. The changed procedure allows better management of the risk associated with storage of question papers before examinations. The procedure is being rolled-out to centres.

### **3.4 Introduce new web-based marking and quality assurance processes**

#### **Appointee Services website**

In January 2007 we launched our first website for all our potential and current Appointees (such as Markers, Verifiers and Examiners). The website provides information for those who want to find out more about appointee work and information and services for existing Appointees.

This includes:

- ◆ details of the number and range of our Appointees and appointments
- ◆ job descriptions for all appointment types, eg Marker, Verifier
- ◆ links to:
  - information on the benefits of being an Appointee for individuals, centres and employers
  - information on professional recognition
  - SQA Academy website
  - Understanding Standards website
- ◆ information on Appointee fees and expenses

The website will be a platform for significant work in future years, providing access to additional services for our Appointees.

(Read more about some improvements to our HR processes for Appointees under Objective 4.1.)

#### **Web-based marking**

During 2006–07, we launched a secure website for our appointees in seven National Qualifications (NQ) subjects. As part of the 2006 diet of certification, appointees used the website to access their personal information and capture marks electronically from NQ external assessment scripts.

Across the seven subjects, appointees input marks for more than 570,000 individual question items from 13,710 scripts. We introduced a new quality assurance procedure which meant that the

standard of marking could be monitored throughout the marking period.

We completed an evaluation of this pilot activity, and have implemented the recommendations, including changes to quality assurance arrangements, for an enhanced pilot as part of the 2007 diet of certification. This will include marking from a scanned image for the first time, for National Qualifications in English for Speakers of Other Languages (ESOL) at Higher and Intermediate 2.

## **Objective 4: Develop a highly-skilled, motivated and effective workforce**

### **4.1 Design and introduce a set of integrated human resource policies which demonstrate best practice and support the delivery of SQA's Business Plan**

Each year we carry out a survey of employee engagement which allows us to monitor trends in overall satisfaction, and also to identify issues where we should be taking action to improve employee motivation.

Our employee survey for 2005-06 identified a number of issues at corporate level, and some of these are consistent with the findings of the previous survey. We developed a corporate action plan to address these issues during 2006-07 and we have made progress:

<b>Issue</b>	<b>Action taken</b>
Clear sense of direction from senior management ('Senior Management provide staff with a clear sense of direction.')	We consulted our Partnership and wider staff groups in developing our Corporate and Business Plan 2007-10. We agreed a Corporate Scorecard for this Corporate Plan as a one-page summary report of our performance in achieving our Corporate objectives. Read more information about our Corporate Scorecard at objective 4.2
Communication across the organisation	We have introduced an internal e-zine <i>Inform</i> .
('I believe that policies and strategies are effectively communicated internally.')	Directors attend all Business Area team meetings on a rolling basis.

Staff feedback is acted upon by managers ('Feedback from staff is recognised and acted upon by managers.')

For the 2006 staff survey, analysis was completed at team level. Each team across the organisation has agreed and implemented a tailored action plan to address issues particularly relevant to their team.

Consultation and communication of HR policies

Communications guidelines have been developed for HR policies and procedures.

('SQA consults its people in the development of HR policies, strategies and plans.')

We have developed and implemented a structured plan to improve the effectiveness of the Partnership Group.

Effective management of career progression

Read more information about the development of our succession planning models below.

('I believe that SQA effectively manages career development and succession planning.')

Staff completed our 2006-07 survey in March 2007, and we have included some of the key results in our Corporate Scorecard. We will be considering any additional areas for improvement identified through this survey as part of our wider strategic planning programme for 2007.

The three-year pay agreement which we had finalised with the trade unions representing our staff in 2004 lapsed in March 2007. Early in 2006-07, we carried out extensive market research and completed consultation with our Partnership Group on a replacement three-year pay agreement. This work informed the preparation of a detailed proposal, reflecting public sector pay policy guidance, which has been submitted to the Scottish Executive. The Partnership Group includes representatives from our three recognised trade unions (Amicus MSF, T&G and Unison).

During the year, we agreed revisions to our Learning and Development Policy. We developed competence frameworks for our leaders, managers and staff, and introduced pilot development programmes designed to support these competences. We have agreed a Succession Planning Model to support a more structured approach to staff development. This includes introduction of a Talent Management approach to help us to identify and develop staff with high potential for future leadership roles. We will begin to implement this model in 2007-08.

Our performance review calendar has also now been aligned to our corporate planning timetable, supporting a strong link between organisational and individual performance objectives. We streamlined the quality assurance process for individual performance review, and simplified our arrangements for performance improvement planning.

We have agreed an increase in the number of performance categories that are available to managers when reviewing performance during 2007–08. The reviews will then also begin to assess individual performance against the agreed competences, in addition to reviewing achievement of performance objectives.

### **Our Appointees**

As well as our staff, we rely on the contribution of the thousands of professionals who enrol as Appointees every year. During 2006–07, we introduced a number of improvements to human resources processes for Appointees. To support improved communications with our Appointees, we launched an Appointee Services website. (You can read more about our Appointee Services website under Objective 3.4.)

On this new website, we published the selection criteria for each of our Appointee roles. As a pilot, we have advertised the vacancy for a Principal Assessor (PA) for Care at levels Intermediate 1 and 2 on the website, in our *Connecting with Customers e-zine*, and at the launch of the new Course in Care. (Read more about our e-zine under Objective 1.5.)

We defined the competences necessary for PA, Senior Verifier and Senior Examiner roles. We developed 10 training packages for Appointees, explaining the processes involved in developing and delivering our qualifications. These are now being made available on our SQA Academy website.

We continued a small pilot with student teachers to widen their awareness of, and access to, our procedures. We also extended this pilot beyond an invitation to observe marking events, to attending a verification training event.

We carried out a consultation with PAs on approaches to performance management for our Appointees. In line with the recommendations arising from this, PAs will begin to complete performance records for their examining teams, on a voluntary basis, following the appeals process for the 2007 diet of certification.

We also commenced a review of appointees' remuneration in 2006–07. The review outcomes will be finalised for implementation as part of the 2008 diet of certification.

## **4.2 Embed more effective performance measurement and monitoring to encourage continuous improvement**

### **Audit Scotland Performance Management Study**

In 2006–07, our external auditors Audit Scotland completed a Performance Management Study, looking at our operational effectiveness and how efficient and economic we are in meeting our responsibilities. The Study included:

- ◆ reviewing reports and papers
- ◆ attending committee meetings
- ◆ interviews with senior officers, committee members and key stakeholders

You can read more information about the outcomes of the Study in our Statement on Internal Control.

In line with the report findings, during 2006–07 we developed a scorecard of performance indicators to help us monitor our progress towards achieving our Corporate Objectives. (You can read more about our Corporate Scorecard in section 1.)

We updated this Scorecard to reflect our Corporate and Business Plan objectives for 2007–08. Read more about our Corporate and Business Plan 2007–10, and our updated Scorecard for 2007–08, in section 3 of this Report.

## **4.3 Implement an integrated human resources and financial system**

In 2006–07, we implemented the first phase of an integrated human resources and financial software system, covering HR, Payroll and Finance processes. The new system has been designed to:

- ◆ streamline business processes
- ◆ provide accurate and timely invoicing
- ◆ improve customer service
- ◆ enhance our financial control environment

In 2007–08, we will complete a post-implementation review to establish whether the expected benefits of the new software have been fully realised.

#### **4.4 Implement an estates and facilities management programme**

Following the relocation of SQA's Glasgow-based staff to a single building in spring 2006, we de-commissioned and completed sale and end-of-lease negotiations respectively for our previous Hanover House and Cadogan Square properties.

Having relocated with Learning and Teaching Scotland (LTS) in the Optima building, we have continued to explore opportunities for sharing services to create efficiency savings. We implemented a joint Efficiencies Programme in June 2006 covering print, cleaning, security, mailroom and maintenance. We meet with LTS colleagues regularly to discuss any further potential for efficiencies in areas such as facilities management services.

For our Dalkeith site, we have been working with key departments of the Scottish Executive throughout 2006–07 to finalise the business case for relocation. The final business case has now been formally submitted to the Scottish Executive, and we expect a Ministerial decision after the May 2007 Scottish Parliamentary elections. The earliest possible date for relocation of our Dalkeith staff would now be November/December 2009, and we have reviewed and prioritised essential maintenance work for our existing site.

#### **Corporate social responsibility**

In 2006–07, we implemented a programme to maintain staff awareness of Health and Safety issues. We secured Silver level recognition by the Royal Society for the Prevention of Accidents (RoSPA) for this work in March 2007.

In December 2006, our Glasgow site matched Dalkeith in achieving the 'Scotland's Health at Work' programme Silver award for promoting health in the workplace. Highlights included provision of smoking cessation support sessions for 39 staff and raising £1,450 for Sport Relief by 50 staff each walking or running at least one mile in their lunch break.

In 2006–07, we provided time and resources to support staff in raising funds for their annual nominated charity. Our Informal Committee led a programme of fundraising events and individual sponsorship challenges which culminated in the presentation of a cheque for £8,500 to Cancer Research Scotland in March 2007.

We reviewed our Environmental Management system during 2006–07, and established an Environment Forum to keep staff informed of developments through our Intranet. We developed environmental management targets, and these have been embedded in operational plans for each of our teams. Progress towards achieving these targets will be reported as part of the SQA Scorecard.

In 2006–07, two key new pieces of equalities legislation came into force for public bodies: the Disability Equality Duty and the Employment Equality (Age) Regulations 2006. Taking a strategic approach to ensure compliance with existing and emerging legislation, we developed an equalities strategy covering all strands of equality in July 2006. The strategy covers areas such as training, resources, equality impact assessments, monitoring and reporting.

We set up an equality and diversity project team to lead on the implementation of the Disability Equality Scheme<sup>18</sup>, and HR policies and procedures have been changed to address the new Age Regulations. We have begun to roll out a programme of workshops for all staff to increase awareness and understanding of equality issues and legislation. Selected members of staff in key positions have also been trained in how to conduct Equality Impact Assessments. We will begin our programme of Impact Assessments during 2007–08.

We commenced work on developing a Gender Equality Scheme, and refreshing our Race Equality Scheme, for publication in June 2007. Following publication in 2007–08, we will monitor implementation of these Schemes through our Corporate Scorecard. (Read more about our Corporate Scorecard under objective 4.2.)

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<sup>18</sup> A scheme is a strategy and action plan showing how we will ensure equality is part of the way we work across the organisation.

## **Objective 5: Increase the use of SQA qualifications and services nationally and internationally**

### **5.1 Increase national and international awarding and consultancy**

Our International Strategy aims to:

- ◆ promote Scottish education and training worldwide
- ◆ learn from and contribute to best practice in education and training
- ◆ support education and training worldwide

These aims are achieved through three main strands of activity:

- ◆ inward learning and study visits
- ◆ international consultancy work
- ◆ international awarding

#### **Inward learning and study visits**

In 2006–07, we co-ordinated a number of inward learning and study visits to demonstrate the key points of Scottish education and training to overseas governments, government agencies and educational bodies. The visits varied from a full day to three weeks, depending on the needs of the incoming group.

The learning and study visits we hosted in 2006–07 included:

- ◆ South African Qualifications Authority (April 2006)
- ◆ European Centre for the Development of Vocational Training (CEDEFOP) (May 2006)
- ◆ Barbados Technical and Vocational Education and Training (TVET) Council (June 2006)
- ◆ Beijing Jiatong University, PR China (July 2006)
- ◆ Croatia Teacher Training Curriculum Development Team (September 2006)
- ◆ National Institute for Education, Slovakia (September 2006)
- ◆ Samara Education Development Foundation, Russia (October 2006)
- ◆ Namibia Qualifications Authority (November 2006)
- ◆ National Institute for Vocational and Adult Education, Hungary (March 2007)
- ◆ Syrian Ministry of Education (March 2007)

### **International consultancy work**

In 2006–07, we worked with a number of international partners in the provision of educational consultancy services to overseas governments, government agencies and educational bodies.

The main focus of this consultancy work was in:

- ◆ qualification framework development
- ◆ occupation standards development
- ◆ qualification development
- ◆ project management
- ◆ educational infrastructure development

This service contributes to the development of educational internationally by sharing products and expertise. These projects are funded from a variety of sources, including donor agencies such as the World Bank and the European Union. In 2006–07, we completed consultancy work in:

- ◆ Antigua and Barbuda
- ◆ Barbados
- ◆ Botswana
- ◆ Egypt
- ◆ The Gambia
- ◆ Ghana
- ◆ Lithuania
- ◆ Romania
- ◆ Thailand
- ◆ Vietnam
- ◆ PR China

### **International awarding**

We also worked with partners<sup>19</sup> to ensure that Scottish qualifications are recognised and respected internationally. We continue to provide international partners with a range of academic and vocational qualifications which are used to facilitate:

- ◆ academic progression to another country
- ◆ academic progression within country
- ◆ direct access to the workforce

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<sup>19</sup> including the British Council and Scotland's Colleges International.

In 2006–07, we had approved centres operating in:

- ◆ United Arab Emirates
- ◆ Saudi Arabia
- ◆ Kingdom of Bahrain
- ◆ Oman
- ◆ Qatar
- ◆ Egypt
- ◆ People’s Republic of China
- ◆ United States of America

The range of qualifications awarded in these countries included:

- ◆ National Qualifications
- ◆ Higher National Certificates
- ◆ Higher National Diplomas
- ◆ Professional Development Awards
- ◆ Scottish Vocational Qualifications

### **Success in the People’s Republic of China**

In July 2006, just under 700 candidates graduated with a Higher National Diploma from our approved Chinese universities. This represented a 93% success rate for those candidates who registered for an HND in autumn 2003. Of those who graduated:

- ◆ approximately 60 % continued their academic studies overseas
- ◆ approximately 20 % continued their academic studies in China
- ◆ approximately 20 % moved directly into employment in China

## **5.2 Establish a separate trading company to manage and develop commercial activities**

### **Trading subsidiary**

To identify alternative sources of funding and reduce our reliance on public funds, we have developed a proposal to create a separate trading entity.

During 2006–07, we have been working with key departments of the Scottish Executive to finalise the business case to establish the trading subsidiary. The final business case has now been formally submitted to the Scottish Executive and we expect a ministerial decision after the May 2007 Scottish Parliamentary elections.

## **Dangerous Goods Driver Training**

In January 2006, we were awarded the contract to award the Dangerous Goods Driver Training examinations by the Department for Transport from October 2006.

To deliver the contract, we developed and implemented a web-enabled database which:

- ◆ allows approved centres direct access to advise us of their training course schedules and enter candidates for the relevant exams
- ◆ allows training providers access to real-time information, including online exam results
- ◆ provides our verification team with a means of managing their verification visits to monitor compliance of the scheme standards
- ◆ gives the Driver and Vehicle Licensing Authority in Swansea and Coleraine instant transfer of assessment results data in order to issue Vocational Training Certificates to successful candidates

Since the contract started, 11,717 candidates sat 60,309 exams, resulting in the issue of 10,889 Vocational Training Certificates in Dangerous Goods Driver Training.

## 3 Further information

### 3.1 Our status and structure

We are a non-departmental public body, a not-for-profit organisation, responsible to the Scottish Parliament through the Scottish Executive Schools Directorate. In 2006–07 we were recognised as a Scottish charity, registration number SCO26097, within the meaning of section 1 (7) of the Law Reform and Miscellaneous Provisions (Scotland) Act 1990.

As a result of an enquiry under section 28 of the Charities and Trustee Investment (Scotland) Act 2005, SQA no longer met the charity test and we were subsequently removed from the Scottish Charity register with effect from 23 April 2007.

Our registered office is at:

The Optima Building  
58 Robertson Street  
Glasgow G2 8DQ

Our functions, powers and duties are detailed in the Education (Scotland) Act 1996 and the SQA Act 2002.

A Management Statement and Financial Memorandum, drawn up by the Scottish Executive Schools Directorate, our sponsoring department, sets out the broad framework within which we operate, in particular:

- ◆ the rules and guidelines relevant to the exercise of our functions, duties and powers
- ◆ the role of our Board of Management and Committees in governance of the organisation
- ◆ the conditions under which any public funds are paid to us
- ◆ how we are held to account for our performance

This Memorandum is available on our website. The website also has information about our organisational structure.

Members of our Board of Management are appointed by Scottish Ministers in accordance with guidance issued by the Commissioner for Public Appointments. The Board of Management performs the role of a charity Board of Trustees. New members are taken through an informal orientation of SQA and meet specifically with the Chairman and Chief Executive. Members are provided with a handbook that, amongst other things, covers the roles of the Board

and its supporting Committees. They are also offered governance training endorsed by the Scottish Executive.

Our Chairman: John McCormick MA MEd  
Our Chief Executive: Dr Janet Brown BSc PhD FInstP

A full list of Board members can be found on page 64.

## 3.2 Our future plans

In line with our Management Statement and Financial Memorandum, each year we review and update the high-level objectives in our Corporate and Business Plan. We secured Ministerial approval of our Corporate and Business Plan for 2007–10, and our Budget for 2007–08, in March 2007. The Plan is available on our website.

It includes:

- ◆ a statement of our strategic drivers
- ◆ our mission, vision and values statements
- ◆ our Corporate and Business Plan objectives
- ◆ owners and funding source for each objective
- ◆ our Corporate Scorecard for 2007–08 to measure our performance for these objectives
- ◆ our corporate risk register

The Plan continues to focus on the five key areas of achievement covered in this Report:

Objective 1: Provide qualifications and support to match the needs of individuals, society and the economy of Scotland

Objective 2: Using our unique data and resources, inform and support national policy development and implementation

Objective 3: Re-design our services and processes to make them better to use and more efficient

Objective 4: Develop a highly-skilled, motivated and effective workforce

Objective 5: Increase the use of our qualifications and services nationally and internationally

You can read more about our Corporate and Business Plan objectives for 2007–10 on our website.

## 4 Remuneration report

### Our staff

The remuneration for our Executive Team is set by our Remuneration Committee, a sub group of our Non-Executive Board. In reaching its recommendations it has to regard to:

- ◆ the Scottish Executive's Pay Policy and Guidance to ensure affordability
- ◆ the need to recruit, retain and motivate
- ◆ the marketability of our remuneration in relation to the local/national labour markets

Our Executive Team is responsible for the management of our business. The Chief Executive is appointed by our Non Executive Board, subject to approval of Scottish Ministers. The Chief Executive contract as agreed with the Scottish Executive is a separate contract, with a notice period of six months. Other members of the Executive Team are employed on standard SQA contracts of employment, with notice periods of three months.

The Chief Executive, Anton Colella, resigned from the organisation with effect from 30 September 2006, and Tom Drake, the organisation's Operational Director, was temporarily promoted to Interim Chief Executive until a permanent appointment was made to the role. Janet Brown was appointed and took up her post with effect from March 2007.

The remuneration of staff below the senior management team is determined by the organisation in conjunction with its trade unions, complying with Scottish Executive Pay Policy and Guidance to ensure affordability. The pay settlements for staff are developed with our Partnership Group to ensure they motivate, recruit and retain staff.

We operate performance related pay for all staff, with annual consolidated salary increases based on effective performance and also non-consolidated payments for staff who demonstrate exceptional performance against operational objectives derived from the Corporate Plan.

### Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency

(SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. In both schemes employee contributions are set at 6% of pensionable earnings. For 2006–07, employer’s contributions of £2,049,000 were payable in total. These contributions were based on 15.6% for LGPS pensionable pay and 12.5% for SPPA pensionable pay.

Further details about the LGPS and SPPA arrangements can be found at their website [www.lgps.org.uk](http://www.lgps.org.uk) and [www.sppa.gov.uk](http://www.sppa.gov.uk).

## Our Non-Executive Board

Members of our Board of Management, with the exception of our Chief Executive, are appointed by Scottish Ministers for a fixed period, normally four years.

The Chairman was appointed in 2004 for a period of four years. The Chairman’s level of remuneration is set and reviewed annually by the Scottish Executive.

The members of the Board are appointed by Scottish Ministers from a range of backgrounds, from the public and private sectors. Board members are paid a monthly fee, on the basis of their duties, that is set and reviewed annually (August) by the Scottish Executive.

## Remuneration Committee

The Remuneration Committee, a sub group of our Non Executive Board agrees the Executive Team’s pay policy in accordance with the Scottish Executive.

## Disclosure of remuneration

The salary and pension entitlements earned during the year by our Senior Staff in the roles noted are as follows:

		Age	Salaries and other payments	Benefits in kind
			£	£
<b>Chairman</b>				
John McCormick		62	14,091	-
<b>Vice Chairman</b>				
Iain McMillan CBE	Period of service concluded 31 December 2006	55	3,639	-

**Chief****Executive**

Anton Colella	Resigned 29 September 2006	45	52,188	3,086 <sup>2</sup>
Janet Brown	Appointed 5 March 2007	55	9,015	558 <sup>2</sup>

**Non-Executive****Board****members**

Anthony Cassidy		62	4,921	-
Judith Gillespie		60	4,543	-
Prof. Alex MacLennan		54	4,744	-
Linda McKay MBE		55	5,382	-
John Mitchell		62	4,802	-
Margaret Nicol		58	4,358	-
Gordon Rodgers		50	4,717	-
Prof. John Simmons		59	4,358	-

**Directors**

Maidie Cahill		50	76,353	124 <sup>1</sup>
Tom Drake	Interim Chief Executive from 15 August 2006 to 31 March 2007	61	90,188	-
Karen McCallum		44	51,861	58 <sup>1</sup>
John McDonald		49	65,768	268 <sup>1</sup>
Ron Sylvester		56	88,520	-
John Young		59	74,767	360 <sup>1</sup>

Benefits in kind are:<sup>1</sup> taxable profit on business mileage;<sup>2</sup> leased car benefit.

In prior years only the Chairman of the Board was entitled to receive remuneration. However, this was amended by The Scottish Qualifications Authority Act 2002 enabling all board members to receive remuneration. The remuneration paid during the financial year is disclosed above. Board payroll, travelling and subsistence costs are included in Board and Committee expenses in note 6 to the Annual Accounts. A list of Board members can be found on page 64.

The pension entitlements earned during the year by our Senior Staff in the roles noted are as follows:

	Age	Real increase in pension £	Total accrued pension at 31 March 2007 £	Cash equivalent transfer value at 31 March 2006 £	Cash equivalent transfer value at 31 March 2007 £	Real increase in cash equivalent transfer value £
<b>Chief Executive</b>						
Anton Colella	45	N/A	N/A	N/A	N/A	N/A
Janet Brown	55	9	9	-	131	131
<b>Directors</b>						
Maidie Cahill	50	809	3,919	34,175	46,350	10,534
Tom Drake*	61	N/A	N/A	N/A	N/A	N/A
Karen McCallum	44	420	420	-	6,042	6,042
John McDonald	49	1,619	4,305	115,883	172,742	51,296
John Young	59	N/A	N/A	N/A	N/A	N/A

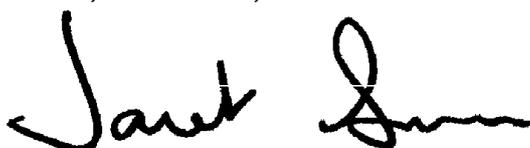
\*Interim Chief Executive from 15 August 2006 to 31 March 2007  
N/A = Figures have not been made available by Scottish Public Pensions Agency.

Janet Brown, Maidie Cahill, Karen McCallum and John McDonald are ordinary members of the Strathclyde Local Government Superannuation Scheme. Anton Colella, Tom Drake and John Young are ordinary members of the Scottish Executive Teachers' Superannuation Scheme. Ron Sylvester is not a member of either Superannuation Scheme.

#### Additional voluntary disclosures of remuneration

In addition to the above statutory disclosures, we have opted to disclose additional voluntary information on the remuneration of other higher paid staff.

Annual remuneration	Number of staff
£50,000 - £60,000	4



**Dr Janet Brown**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**

## **5 Statement of Board of Management and Chief Executive's responsibilities**

Under Section 16 of the Education (Scotland) Act 1996 the Scottish Qualifications Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Scottish Ministers. The accounts are prepared on an accruals basis and must show a true and fair view of the Scottish Qualifications Authority's state of affairs at the year end and of its income and expenditure, total recognised gains and losses, and cash flows for the financial year.

In preparing the accounts the Board of Management are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- ◆ observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ◆ make judgements and estimates on a reasonable basis
- ◆ state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- ◆ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that SQA will continue in operation

The Principal Accountable Officer for the Scottish Executive has agreed to the designation of the Chief Executive of the Scottish Qualifications Authority as the Accountable Officer for SQA. The Chief Executive's relevant responsibility for the propriety and regularity of the public finances, and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of Other Public Bodies.

## 6 Statement on Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

### **System of internal control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The key elements of the internal control environment which have been in place for the year ended 31 March 2007 and accords with guidance from Scottish Ministers include:

### **Board of Management**

- ◆ The Board sets the strategic direction for the organisation through a robust process of review and approval of the Corporate and Business Plans which are submitted to Scottish Ministers.
- ◆ Progress against objectives within the Corporate and Business Plans is subject to review by the Board through the provision of regular financial and quarterly business performance reports, including a review of the corporate balanced scorecard of key measures and strategic risk register. The Board receives periodic reports from the chairmen of its committees concerning any significant matters of governance and internal control.

### **Audit and Performance Committee**

- ◆ The Audit and Performance Committee provides relevant advice within its remit to the Board on matters related to governance, the management of identified risks, and effectiveness of the internal control system.
- ◆ As part of the internal audit activity for 2006-07, an independent review of our corporate governance arrangements confirmed that our current structures and processes accorded

with relevant best practice including *The Good Governance Standards for Public Services* (published by CIPFA and OPM) and *On Board* (published by the Scottish Executive).

### **Risk and control framework**

- ◆ Our Executive and Business Management Teams review progress of the organisation using a monthly management review process which reports the progress of each Directorate against their corporate/business objectives. The review includes consideration of reports on the preparation and monitoring of business cases seeking external funding, the status of management action taken to address recommendations arising from internal and external audits, and a review of strategic and operational risks escalated in accordance with the risk management framework. The corporate planning, reporting and risk management processes required to support this performance management framework are provided by the Corporate Strategy and Governance Team (formerly Corporate Strategy and Performance).

### **Business process and internal control assurance**

- ◆ Internal audit activity is outsourced to PricewaterhouseCoopers, operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS). The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes and monitor progress with the implementation of agreed actions to address matters of improvement. The internal audit strategic plan for 2003-04 to 2006-07 was agreed by our Executive Team and endorsed by our Audit and Performance Committee.
- ◆ During the course of 2006-07, we completed a procurement process for the provision of internal audit services in line with EU legislation. The outcome of the process was the re-engagement of PricewaterhouseCoopers as internal auditors. Although outsourced, this activity remains internally managed by the organisation's Business Manager for Corporate Strategy and Governance Team. This team works in partnership with the internal auditors to monitor and report on audit activity, including tracking progress in addressing internal and external audit recommendations.
- ◆ Operational processes supporting certification of the main diet in August continue to be monitored by the Certification Planning Group which meets weekly to review a status report and risk register. Membership of the group consists of Executive staff, the Business Manager — Corporate Strategy and Governance and a senior manager from Customer Relations. During the course of 2006-07, the Audit and Performance Committee agreed that the

scope of CPG should be extended to include the Scottish Survey of Achievement, the verification of Higher National Qualifications, and International Awarding. Status reports continue to be shared with the Scottish Executive and our staff. Reports on progress, including an annual progress report against the performance measures set and agreed with the Scottish Executive for the August diet of certification, are sent to meetings of the Board and the Audit and Performance Committee.

### **Review of effectiveness**

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control and make the following observations.

Our Executive Team has continued with its improvements to strengthen the organisation's efficiency, effectiveness and economy. Improvements introduced during 2006-07 include:

- ◆ The introduction of a corporate balanced scorecard of key outcomes and measures reporting progress on a quarterly basis to the Board. Following the success of realigning corporate/business planning processes with workforce planning, budget setting, and the development of business cases seeking external funding, we have focused our efforts on improved performance management reporting, providing a more strategic, high-level view on progress against corporate/business plan objectives to the Board. Improved engagement with stakeholders was also introduced to the corporate planning process, including engagement with the Scottish Executive and our key partners.
- ◆ We have implemented an integrated human resources and financial software system with the first phase for HR, payroll and finance processes introduced in November 2006-07. The launch of e-procurement is scheduled for implementation in 2007-08. A post implementation review will be conducted during 2007-08 to establish if the expected benefits of the new software have been realised. These include the streamlining of business processes; accurate and timely invoicing; improved customer service, and enhanced financial control environment.
- ◆ The introduction of framework agreements to support our procurement processes. In addition, the recommendations for changes to procedures for the use of external consultants were launched in June 2006. The Probity Director (Director of Finance and Corporate Performance) chairs a Probity Committee which adopts a more strategic view of procurement and is responsible for ensuring that new developments are considered for business impact and on-going compliance. The introduction of the new

integrated human resources and financial software will also refine data on detailed spend analysis within business areas.

- ◆ Business continuity plans continue to be updated and tested. Their effectiveness was acknowledged when an incident in Glasgow led to the evacuation and subsequent no entry to the building for two days in June.
- ◆ We met our efficiency targets for 2006-07 as set by the Scottish Executive.
- ◆ The Board continues its oversight and governance of our international and commercial business through the International and Commercial Committee.

### **Audit Scotland — performance management review**

During 2006-07, Audit Scotland undertook a study of performance management within the Scottish Qualifications Authority. Whilst the review made a number of recommendations for further improvement, the study highlighted the following as areas of good practice:

- ◆ Since 2000, SQA has been successful in re-establishing customer and stakeholder confidence in its core functions.
- ◆ The Board and Executive Team have shown commitment and leadership in driving forward improvements.
- ◆ The corporate planning process has established clear objectives.
- ◆ SQA is developing a deeper understanding of the link between costs and activities and is beginning to benchmark its functions against other organisations.

In terms of the recommendations made in the study, actions are on-going to address each of the matters highlighted.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

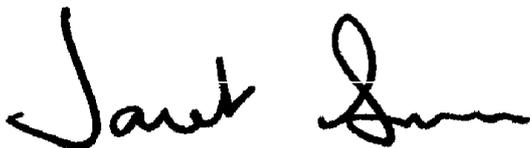
The Board and Executive Team are committed to further developments to the internal control environment for 2007-08 and these include:

- ◆ The implementation of further improvements to the annual planning process to include procurement timescales and the introduction of operational scorecards within business areas.
- ◆ Further refinements will be made to the monthly management review (MMR), taking advantage of the improved data available through the integrated software for Finance and Human

Resources. This will enable more effective and timeous challenge within Directorates.

- ◆ We will continue to review and develop the key performance indicators, linked to key objectives, as part of our corporate balanced scorecard.
- ◆ Introduction of a rolling programme of benchmarking activity to support continuous improvement with partners being identified and plans under development.
- ◆ The introduction of a new process management software solution to document and evaluate processes for improvement. The software will be rolled out during the course of next year, prioritising areas according to need.
- ◆ We will use the reviews of staffing, qualifications portfolio and business areas to continue to provide a critical challenge of our products and services.
- ◆ We will work towards achieving our efficiency targets for 2007-08, including any efficiency savings presented by our modernisation agenda.

My overall review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.



**Janet Brown**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**

# 7 Reference details

## **Our Bankers**

Royal Bank of Scotland  
63 High Street  
Dalkeith  
Midlothian  
EH22 1JA

## **Our External Solicitors**

MacRoberts Solicitors  
Excel House  
30 Semple Street  
Edinburgh  
EH3 8BL

## **Our External Auditors**

Audit Scotland  
110 George Street  
Edinburgh  
EH2 4LH

## **Our Internal Auditors**

PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NN

## 8 Board members and observers

A full listing of board members and observers is set out below. A Register of Member's Interests can be found at [www.sqa.org.uk](http://www.sqa.org.uk).

### Board Members

#### Chairman

John McCormick

#### Vice Chairman

Iain McMillan CBE

Tenure of appointment finished 31 December 2006

### Members

Anthony Cassidy

Anton Colella

Accountable Officer and Chief Executive  
Resigned 29 September 2006

Dr Janet Brown

Accountable Office and Chief Executive  
Appointed 5 March 2007

Judith Gillespie

Prof. Alex MacLennan

Linda McKay MBE

John Mitchell

Margaret Nicol

Gordon Rodgers

Prof. John Simmons

Tom Drake OBE

Acting Accountable Officer and Chief  
Executive 15 August 2006 to 31 March  
2007

### Observers

Christine Carlin

# 9 Report on the Activities of the Audit and Performance Committee

## Role of the Audit and Performance Committee

### The main responsibilities of the Committee

The Audit and Performance Committee is an advisory body with no executive powers. This committee is established by the Board of Management, in accordance with the guidance on Audit Committees within the *Scottish Public Finance Manual*, and has very specific requirements. It is responsible, on behalf of the Board of Management, for ensuring SQA is subject to independent and objective review of financial systems and reporting, to review the effectiveness of internal controls and risk management systems, to ensure compliance with law and codes of conduct and to monitor SQA's relationship with its auditors.

The Board of Management approved the revised terms of reference for the Audit and Performance Committee in March 2004. These standing orders can be found on our website [www.sqa.org.uk](http://www.sqa.org.uk) in the Scheme of Delegation.

### Composition of the Audit and Performance Committee

The Convenor and members are appointed by the Board of Management and they only, hold voting rights on the Committee.

The Audit and Performance Committee comprised Mr Tony Cassidy (Convenor), Mrs Judith Gillespie and Mr John Mitchell. Mr Iain McMillan retired from the Board of Management on 31 December 2006, and so was in appointment for three of four meetings in the period. Professor John Simmons was appointed to the Committee on 1 January 2007 and so was in membership for only the last meeting of the four.

### Meetings

During 2006-07 the Audit and Performance Committee met and was quorate\* on four occasions. The Committee is made up entirely of Non-Executive Board members, and the attendance of members of the Audit and Performance Committee during 2006-07 was:

Name	Position	Appointed	Retired	Attendance
Mr A Cassidy	Convenor/Non-Executive member			4/4

Mrs J Gillespie	Non-Executive member		3/4
Mr J Mitchell	Non-Executive member		3/4
Mr I McMillan	Non-Executive member	Dec 06	3/3
Prof J Simmons	Non-Executive member	Jan 07	0/1

<sup>1</sup> Please note that these columns will only be included if applicable to that year.

\* Mrs Gillespie attended one meeting by teleconference.

The secretary to the Committee is provided by the Corporate Strategy and Governance (CSG) team.

The Convenor reports to the subsequent meeting of the Board of Management on the Committee's work, and the Board receives a copy of the minutes of each meeting of the Committee.

The Convenor of the Audit and Performance Committee also reports annually to the Board of Management on the discharge of its duties. This is presented to the Board of Management in the form of a letter, otherwise referred to as the annual statement of assurance to the Board. This letter recommends that the internal control environment of SQA is adequate and effective.

## **Main activities of the Committee in financial year 2006-07**

### **External audit**

The Auditor General for Scotland (AGS) is SQA's statutory auditor. AGS appoint Audit Scotland to audit SQA's expenditures and receipts; examine their regularity and propriety; and arrange with the Department for the accounts to be laid before the Scottish Parliament. In addition, the auditors have access to the SQA's books and records by virtue of the Public Finance and Accountability (Scotland) Act 2000 for the purpose of carrying out examinations into the economy, efficiency and effectiveness with which SQA has used its resources in discharging its functions. Representatives from Audit Scotland attend the meetings of the Committee.

The Audit and Performance Committee considered the 2005-06 Audit Opinion from Audit Scotland at its meeting on 23 August 2006. Carried out in compliance with UK auditing standards, Audit Scotland had provided an unqualified audit opinion on the accounts for year ended 31 March 2006. Key findings included positive comment on SQA's corporate governance and control arrangements, with the work of the internal audit service continuing to be satisfactory. Performance management had also

been assessed in the areas of efficient government and best value, finding that SQA's procedures were under development and that satisfactory progress was being made on developing arrangements to support the duty of best value. Encouraged by the findings, the Committee had approved the Report for submission to the Board of Management.

The CSG team is responsible for the monitoring of outstanding recommendations from Audit Scotland reports, and reports to the Committee on a quarterly basis.

### **Internal audit function**

The Audit and Performance Committee keeps under review the independence and objectivity of the appointment of internal auditors, PricewaterhouseCoopers (PwC). Details of this year's fees are given in note 8 to the Annual Accounts.

The contract for internal audit services was re-awarded to PwC in February 2007. SQA entered into a joint tender exercise with Learning Teaching Scotland, which followed a rigorous and competitive tender process and evaluation against pre-determined criteria based on price and quality. The contract was formally awarded from 1 April 2007 on a three year plus one basis, with a value of £80,000 per annum, totalling £320,000 over the contracted period.

Representatives from PwC attend all of the Committee meetings and during 2006-07 the following reports were undertaken by PwC and considered by the Audit and Performance Committee:

### **Governance and Strategy**

Corporate Governance — Overall Arrangements  
Facilitation of risk workshop

### **Financial and Key Business Systems**

Implementation of SAP Finance System incorporating data migration  
Financial Controls Self-Assessment

### **Operational Activities**

Release Compensation  
Data Management  
Testing Services  
Human Resources  
Qualifications Development

Follow-up reviews of all 2005–06 reports were also conducted and good progress had been made by management implementing actions in accordance with the agreed timetables.

PwC has a well-developed system of planning; incorporating Audit and Performance Committee approval of a rolling three-year audit cycle to ensure their programme of work reflects key areas of risk and change. The internal audit strategic plan for 2007–08–10 was approved at the February 2007 meeting of this Committee.

Internal Audit provides management with an objective assessment as to whether system and controls are working effectively. The internal auditors also identify, categorise and prioritise risks. The CSG team manage the monitoring programme to ensure that where actions, non-compliances and risks have been identified and recommendations made, these are addressed within agreed timescales. All management responses are provided to PwC for validation at the follow-up review visits.

This team also tracks current and outstanding recommendations on a monthly basis with a report being provided for inclusion in the Monthly Management Review report — this is discussed by SQA Business Managers and the Executive Management Team. This approach ensures that SQA works in accordance with the key principles of Turnbull/Corporate Governance.

As a standing item for business at each meeting, the Audit and Performance Committee reviewed processes deemed critical to the Certification Action Plan for August certification. This work is led by the Certification Planning Group (CPG), and during 2006–07, the scope of CPG was expanded to include the following key operational process:

- ◆ the delivery of the Scottish Survey of Achievement on behalf of the Scottish Executive
- ◆ verification of Higher National Qualifications
- ◆ delivery of qualifications to international markets

### **Other assurance functions**

The Audit Scotland report on the Performance Management Study of SQA (otherwise known as Section 23) was published on 9 November 2006. The report findings positively acknowledged the progress made by the organisation since 2000, and the work of the Board of Management and Executive Management Team in driving forward continuous improvement. The following areas of good practice were highlighted:

- ◆ Since 2000, SQA has been successful in re-establishing customer and stakeholder confidence in its core functions.
- ◆ The Board and Executive Team have shown commitment and leadership in driving forward improvements.
- ◆ The corporate planning process has established clear objectives.
- ◆ SQA is developing a deeper understanding of the link between costs and activities and is beginning to benchmark its functions against other organisations.

This financial year saw SQA adopt the Balanced Scorecard approach as a tool for the Board of Management to develop a strategic focus based on key risks. This revised approach was in keeping with the recommendations made by Audit Scotland in its Performance Audit report of SQA which highlighted, amongst other issues, the need for the Board and the Executive to focus more on strategic thinking on risk management and performance measurement.

During the course of the year, the Audit and Performance Committee has also become more engaged in compliance with legal directives, specifically with the recent developments in the work of procurement and Freedom of Information (FOI), having received annual reports of the work undertaken in these areas. It is intended that in the forthcoming year, the Committee will also scrutinise progress in SQA's compliance with the obligations as set out in the Disability Discrimination Act (DDA) 2005 and the related matters of equality and diversity.

# 10 Independent Auditor's Report

## **Independent auditor's report to the members of Scottish Qualifications Authority, the Auditor General for Scotland and the Scottish Parliament**

I have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2007 under the Education (Scotland) Act 1996. These comprise the Statement of Financial Activities, Income and Expenditure Account, Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Board, Chief Executive and Auditor**

The Board and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. I also report if, in my opinion, the Foreword and Annual Report is not consistent with the financial statements, if the body has not kept proper accounting records, if I have not received all

the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. I report if, in my opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual accounts and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword and Annual Report, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of

information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinion**

### **Financial statements**

In my opinion:

- ◆ the financial statements give a true and fair view, in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers, of the state of affairs of Scottish Qualifications Authority as at 31 March 2007 and of the excess of expenditure over income, total recognised gains and losses and cash flows for the year then ended; and
- ◆ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

### **Regularity**

In my opinion in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Signature

David Jamieson CPFA  
Audit Scotland  
Floor 7, Plaza Tower  
East Kilbride  
G74 1LW

Date

# 11 Statement of financial activities

Year Ended 31 March 2007

	Unrestricted Funds £'000	Restricted Funds £'000	2007 £'000	2006 £'000 Restated
<b>Incoming resources</b>				
Donations	818	-	818	906
Activities for generating funds	34,205	-	34,205	30,682
Investment income	234	-	234	470
Other incoming resources	7,583	-	7,583	3,089
<b>Total incoming resources</b>	<b>42,840</b>	<b>-</b>	<b>42,840</b>	<b>35,147</b>
<b>Resources expended</b>				
Costs of generating funds	44,405	-	44,405	40,945
Costs of activities in furtherance of charity's objects	-	2,035	2,035	2,307
Support costs for above	17,702	-	17,702	8,776
Resources expended on managing and administering the charity	45	-	45	45
<b>Total resources expended</b>	<b>62,152</b>	<b>2,035</b>	<b>64,187</b>	<b>52,073</b>
<b>Net (outgoing) / incoming resource before transfers</b>	<b>(19,312)</b>	<b>(2,035)</b>	<b>(21,347)</b>	<b>(16,926)</b>
Gross transfers between funds	-	-	-	-
<b>Net movement on funds</b>	<b>(19,312)</b>	<b>(2,035)</b>	<b>(21,347)</b>	<b>(16,926)</b>
Total funds brought forward	6,528	(51)	6,477	4,370
Government funding	13,970	2,035	16,005	15,906
Transfer from revaluation reserve of excess depreciation	469	-	469	326
Revaluation realised on disposal	1,583	-	1,583	-
Capital funding released	1,751	-	1,751	692
Actuarial (losses) / gains	(7,211)	-	(7,211)	2,109
<b>Total (debt) / funds carried forward</b>	<b>(2,222)</b>	<b>(51)</b>	<b>(2,273)</b>	<b>6,477</b>

The notes on pages 78 to 101 form part of these accounts.

# 12 Income and expenditure account for the year to 31 March 2007

	Notes	2007 £'000	2006 £'000 Restated
<b>Income</b>			
Entry charges	3	34,205	30,682
EU funding	4	818	906
Other income	5	7,583	3,089
		<hr/>	<hr/>
		42,606	34,677
<b>Expenditure</b>			
Staff costs	6(1)	21,237	20,523
Depreciation and other amounts written off tangible and intangible fixed assets	11,12	1,987	1,911
Other operating expenditure	7	41,548	29,845
		<hr/>	<hr/>
		64,772	52,279
<b>Excess of expenditure over income before interest</b>		(22,166)	(17,602)
Investment income	9	234	470
Interest payable	10	(582)	(523)
<b>Excess of expenditure over income after interest</b>		<hr/>	<hr/>
		(22,514)	(17,655)
Add back notional cost of capital	1(12)	1,167	729
<b>Excess of expenditure over income for the year</b>		<hr/>	<hr/>
		(21,347)	(16,926)
Revenue reserves brought forward	17	6,477	4,370
Government funding	17(1)	16,005	15,906
Transfer from revaluation reserve of excess depreciation	17	469	326
Revaluation realised on disposal	17	1,583	-
Capital funding released	17	1,751	692
Actuarial (losses)/gains	17	(7,211)	2,109
		<hr/>	<hr/>
<b>Revenue reserves carried forward</b>		(2,273)	6,477

All operations are continuing.

The notes on pages 78 to 101 form part of these accounts.

# 13 Statement of total recognised gains and losses for the year to 31 March 2007

	Note	2007 £'000	2006 £'000 Restated
Excess of expenditure over income for the year		(21,347)	(16,926)
Government funding	17(1)	16,005	15,906
Unrealised surplus on revaluation of fixed assets	17	154	176
Unrealised surplus on investments for unfunded pensions	17	1	11
Actuarial (losses)/gains	17	(7,211)	2,109
<b>Total recognised (losses)/gains relating to the year</b>		<b>(12,398)</b>	<b>1,276</b>
<b>Total recognised (losses)/gains since last annual financial accounts</b>		<b>(12,398)</b>	<b>1,276</b>

The notes on pages 78 to 101 form part of these accounts.

# 14 Balance sheet at 31 March 2007

	Notes	31 March 2007 £'000	31 March 2006 £'000 Restated
<b>Fixed assets</b>			
Intangible assets	11	342	106
Tangible assets	12	9,409	13,943
Investments	13	513	511
		<u>10,264</u>	<u>14,560</u>
<b>Current assets</b>			
Debtors	14	18,320	18,693
Cash at bank and in hand		65	1
		<u>18,385</u>	<u>18,694</u>
<b>Creditors: amounts falling due within one year</b>	15	(15,372)	(15,887)
<b>Net current assets</b>		<u>3,013</u>	<u>2,807</u>
<b>Total assets less current liabilities</b>		13,277	17,367
<b>Provisions for liabilities and charges</b>			
<b>Defined benefit (liability)/asset</b>	16 22	(450) (2,721)	(575) 3,422
<b>Net assets</b>		<u>10,106</u>	<u>20,214</u>
<b>Capital and reserves</b>			
Capital reserve	17	4,045	4,045
Capital grant reserve	17	5,345	4,806
Revaluation reserves	17	2,989	4,886
<b>Total capital reserves</b>		<u>12,379</u>	<u>13,737</u>
Revenue reserve	17	448	3,055
Defined benefit asset reserve	17	(2,721)	3,422
		<u>10,106</u>	<u>20,214</u>

The Annual Financial Accounts were approved by the Board of Management on 8 August 2007 and signed on its behalf by



**Dr Janet Brown, Accountable Officer and Chief Executive**  
8 August 2007

# 15 Cash flow statement for the year to 31 March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
					Restated
<b>Net cash flow from operating activities</b>	20(1)		(23,725)		(15,651)
<b>Returns on investments and servicing of finance</b>					
Interest received		227		193	
Dividends received		7		7	
Gift aid received from Awards UK Limited		-		110	
			234		310
<b>Capital expenditure and financial investment</b>					
Purchase of intangible fixed assets		(314)		(134)	
Purchase of tangible fixed assets		(1,509)		(5,289)	
Receipts from sale of tangible fixed assets		7,082		14	
Receipts from funds transfer		1		-	
			5,260		(5,409)
<b>Financing</b>					
Additional funding from the Scottish Executive		10,101		10,638	
Government funding		5,904		5,268	
Capital funding		2,290		4,455	
			18,295		20,361
<b>Increase/(Decrease) in cash</b>	20(2)		64		(389)

The notes on pages 78 to 101 form part of these accounts.

# 16 Notes to the accounts

## 1 Accounting policies

### (1) Basis of preparation

The financial statements are prepared in accordance with the Government Financial Reporting Manual (FRM), the Charities Statement of Recommended Practice and applicable accounting standards under the historical cost convention, modified by the revaluation of fixed assets and in accordance with the Accounts Direction given by the Scottish Ministers which is reproduced as page 102 of the accounts.

### (2) Intangible assets

Software licences are disclosed as intangible assets in accordance with the FRM. The licences are amortised on a straight line basis over their expected useful lives, which will be no greater than the legal term of the licence.

### (3) Tangible assets

Land and buildings are valued at existing use value on the basis of a professional valuation in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual at regular intervals. Between valuations current cost is reflected by applying an inflation index to brought forward values. It is considered that the effect of revaluing other fixed assets as at 31 March 2007 would make no material difference to the results for the year or to the financial position at the year end.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The threshold for capitalising assets is £3,000.

### (4) Depreciation

Depreciation is provided on all tangible fixed assets, other than land, on a straight line basis at rates calculated to write off the cost, less estimated residual value, over their expected useful lives. Fixed assets are depreciated as follows:

Buildings	15 years
Computer equipment	2 - 7 years
Office equipment, motor vehicles and furniture	2 - 7 years
Internal improvements to office premises	10 years

### (5) Investments

An investment in a joint venture company is held on the balance sheet at cost. The results are not incorporated in SQA's accounts as they are not material. However, gift aid payments received from the company are included in investment income.

## **Notes to the accounts (cont.)**

### **1 Accounting policies (cont.)**

#### **(5) Investments (cont.)**

Investments in stocks and shares are stated at market value. Revaluation gains are taken to revaluation reserves in the balance sheet. Revaluation losses are taken to revaluation reserves to the extent to which they reverse previously recognised gains and thereafter to the income and expenditure account.

#### **(6) Leases**

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the length of the lease. There are no assets held under finance leases.

#### **(7) Government grants**

Government grants of a revenue nature are credited to the income and expenditure reserve in the year to which they relate. Grants to fund capital expenditure are credited to the government grant capital reserve and released to the income and expenditure account over the useful lives of the assets funded.

#### **(8) Pensions**

All eligible employees are entitled to membership of the Local Government Superannuation Scheme (LGSS). New employees who are already members of the Scottish Executive Teachers' Superannuation Scheme (TSS) are entitled to maintain their membership of that scheme. Employer's contributions to the TSS are accounted for as they fall due. Employer's contributions to the LGSS are accounted for under the requirements of Financial Reporting Standard 17. (See note 22.)

#### **(9) Provisions**

SQA is required to meet the additional costs of benefits beyond the normal pension scheme benefits in respect of employees who retire early. The Authority provides in full for these costs when the early retirement has been agreed.

Other provisions for liabilities or charges are recognised in accordance with the criteria and measurement bases of FRS 12 – Provisions, Contingent Liabilities and Contingent Assets.

#### **(10) Liabilities**

All material amounts outstanding as at 31 March 2007 have been brought into the Income and Expenditure Account irrespective of when actual payments were made.

## **Notes to the accounts (cont.)**

### **1 Accounting policies (cont.)**

#### **(11) Income recognition**

Income from entry charges for core awards is recognised as follows:

- a Externally assessed awards: income is recognised on completion of the course, and any income charged in advance is released to the income and expenditure account in the financial year during which the course is completed.
- b Internally assessed awards: income is recognised proportionately over the average duration of the course, except for National Courses where it is based on the level of moderation carried out.

Income from awards containing both externally and internally assessed units is split and the components recognised as above. Commercial income is recognised in the period to which it relates.

#### **(12) Notional cost of capital**

A notional charge to bring interest payable up to a 3.5% (2006: 3.5%) return on capital employed has been included in these accounts. SQA's entry and other charges do not include amounts to cover notional interest. This is not in strict accordance with Government guidance in the 'Fees and Charges Guide'. As SQA's charges are paid predominantly by other public sector bodies, and do not distort competition, the Scottish Executive has indicated that it is content with this basis.

#### **(13) Foreign currency transactions**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Any gain or loss arising on the restatement of such balances is taken to the income and expenditure account.

#### **(14) Restatement of prior year figures**

Comparative figures have been restated to reflect a different analysis to that reported in the previous year's accounts. Notes 7, 14 and 15 are affected by the changes. Comparative figures have also been restated as government funding is now credited directly to reserves. Notes 15 and 17 are affected by this change. The underlying figures have not been changed.

## Notes to the accounts (cont.)

### 2 Segmental analysis

	Awarding and related activities £'000	Accreditation £'000	5 – 14 assessment programme £'000	Total £'000
<b>2007</b>				
Income	51,889	1,469	566	53,924
Development funding	4,687	-	-	4,687
	56,576	1,469	566	58,611
Grant funding credited to reserves	(13,970)	(1,469)	(566)	(16,005)
	42,606	-	-	42,606
Expenditure	(62,737)	(1,469)	(566)	(64,772)
Excess of expenditure over income before interest	(20,131)	(1,469)	(566)	(22,166)
Net assets	9,870	131	105	10,106
<b>2006 (Restated)</b>				
Income	44,409	1,601	706	46,716
Development funding	3,867	-	-	3,867
	48,276	1,601	706	50,583
Grant funding credited to reserves	(13,599)	(1,601)	(706)	(15,906)
	(34,677)	-	-	(34,677)
Expenditure	(49,972)	(1,601)	(706)	(52,279)
Excess of expenditure over income before interest	(15,295)	(1,601)	(706)	(17,602)
Net assets	20,009	109	96	20,214

#### Awarding and related activities

SQA's principal activity is awarding, maintaining and developing qualifications within the Scottish Credit and Qualifications Framework. The level of entry charges are agreed by the Scottish Ministers each year after consultation with stakeholder representatives. Grant funding may be available for development work within this service block.

#### Accreditation activities

Accreditation activities are grant funded by the Scottish Executive. These functions of SQA are separate from its awarding body role and as such required separate funding with no cross subsidy from awarding activities.

#### 5 – 14 assessment programme

The 5 – 14 assessment programme is funded by the Scottish Executive. SQA is required to account separately for expenditure in this area. The level of grant is based on annual estimates and is agreed each year.

## Notes to the accounts (cont.)

### 3 Entry charges

	2007 £'000	2006 £'000
National qualifications:		
National Courses and units	16,620	14,345
SCE Standard Grade	11,216	9,951
Late Appeal Charges	14	17
	<hr/> 27,850	<hr/> 24,313
Higher National qualifications	3,841	3,932
Scottish Vocational qualifications	2,514	2,437
	<hr/> 34,205	<hr/> 30,682

### 4 EU funding

European Social Fund	571	596
ESF Prolongation	107	7
English for Speakers of Other Languages	140	303
	<hr/> 818	<hr/> 906

### 5 Other income

Consultancy, secondments and research		825	471
Street Works Qualifications Register		399	407
Commercial testing services		1,958	740
Sale of publications		97	361
Royalty income		190	296
Miscellaneous income	5(1)	4,114	814
		<hr/> 7,583	<hr/> 3,089

#### (1) Miscellaneous income

Included within miscellaneous income is the gain on disposal of £2,845,000 resulting from the sale of Hanover House, 24 Douglas Street, Glasgow. The proceeds from its sale were remitted in full to the Scottish Executive and have been included within miscellaneous costs (note 7 (2)).

## Notes to the accounts (cont.)

### 6 Employees and members

#### (1) Staff costs

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	16,325	15,059
Seconded staff	445	786
Seasonal and agency staff	1,338	1,305
Social security	1,282	1,201
Superannuation	150	141
Defined benefit operating cost	1,362	1,829
Early retirement	212	32
Severance & compensation	123	170
	<hr/>	<hr/>
	21,237	20,523
	<hr/>	<hr/>

Remuneration of the Chief Executive and other members of the Executive Board are included in the Remuneration Report.

#### (2) Staff numbers

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Annual full time equivalents:		
<b>Awarding and related activities</b>		
Permanent	602	562
Fixed term	41	28
Secondees	13	15
Agency	75	76
	<hr/>	<hr/>
	731	681
<b>Accreditation</b>	21	22
<b>5 – 14 assessment programme</b>	10	7
	<hr/>	<hr/>
	762	710
	<hr/>	<hr/>

#### (3) Non Executive Board Members

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Fees and remuneration	<hr/>	<hr/>
	55,555	50,586
	<hr/>	<hr/>

## Notes to the accounts (cont.)

### 6 Staff costs, numbers and remuneration (cont.)

#### (3) Non Executive Board Members (cont.)

In prior years only the Chairman of the Board was entitled to receive remuneration. However, this was amended by The Scottish Qualifications Authority Act 2002 enabling all Board Members to receive remuneration. The remuneration paid during the financial year to all Non Executive Board Members is noted in the Remuneration Report. Board payroll, travelling and subsistence costs are included in Board and Committee expenses in note 7. Board members are listed in Section 8 of the Annual Report.

Due to the nature of Scottish Qualifications Authority's operations and the composition of its Board, it is very likely that transactions will take place with companies or other organisations in which a member may have an interest. All transactions involving companies or organisations in which a member may have an interest were conducted at arm's length and made in the normal course of business (see note 23).

### 7 Other operating expenses

		<b>2007</b>	<b>2006</b>
		<b>£'000</b>	<b>£'000</b>
			<b>Restated</b>
Staff related costs	7(1)	2,472	2,126
Board and committee expenses		211	212
Appointee release compensation		1,332	1,166
Appointee fees		11,159	10,585
Appointee expenses and related costs		2,197	1,846
Business development specialists' fees and expenses		4,763	4,401
Question paper production and printing		664	530
Assessment stationery and certificates		418	251
Property expenses		3,833	1,734
Equipment and supplies		1,118	1,258
IT costs		1,651	1,657
Postage and telephones		1,693	1,776
PR, marketing and publications		2,173	1,952
Miscellaneous	7(2)	7,864	351
		<hr/>	<hr/>
		41,548	29,845

## Notes to the accounts (cont.)

### 7 Other operating expenses (cont.)

#### (1) Staff related costs

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>
Staff travel	899	804
Staff subsistence	193	197
Catering for internal and examination procedures meetings	174	229
Staff training	581	323
Miscellaneous staff costs	625	573
	<hr/>	<hr/>
	2,472	2,126

#### (2) Miscellaneous

Included within miscellaneous costs is the remittance of proceeds amounting to £7,077,000 from the sale of Hanover House, 24 Douglas Street, Glasgow, to the Scottish Executive.

Also included within miscellaneous costs are losses amounting to £153,000 from the disposal of fixed assets.

### 8 Income and expenditure items

Included in total expenditure are the following costs which are required to be disclosed:

External audit fees	45	45
Internal audit fees	79	94
Bad debts written off	53	(25)
Property rentals and service charges	2,716	215
Hire of office and computer equipment	421	298

### 9 Investment income

Income from investments for unfunded pensions	7	7
Gift aid from Awards UK Limited	-	270
Other interest income	227	193
	<hr/>	<hr/>
	234	470

## Notes to the accounts (cont.)

### 10 Interest payable

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Finance cost of discounted SQA unfunded pensions provision	23	19
Defined benefit finance cost	(608)	(225)
Notional interest on capital employed at 3.5% (2006: 3.5%)	1167	729
	<hr/>	<hr/>
	582	523
	<hr/>	<hr/>

### 11 Intangible assets

	<b>Software Licences</b>
	<b>£'000</b>
<b>Cost:</b>	
At 1 April 2006	598
Additions	201
Transfers	139
	<hr/>
At 31 March 2007	938
	<hr/>
<b>Amortisation:</b>	
At 1 April 2006	492
Charge for year	104
	<hr/>
At 31 March 2007	596
	<hr/>
<b>Net book amount:</b>	
At 31 March 2007	342
	<hr/>
At 31 March 2006	106
	<hr/>

Software licences are disclosed as intangible assets in accordance with government accounting practice.

The licences are amortised on a straight line basis over their expected useful lives.

## Notes to the accounts (cont.)

### 12 Tangible assets

	Feuhold land	Feuhold buildings	Leasehold building improve- ments	Vehicles, office and printing equipment	Computer hardware	Computer software	Construc- tion in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>								
At 1 April 2006	1,337	7,309	224	1,461	2,135	2,952	4,539	19,957
Revaluation adjustment	16	147	-	-	-	-	-	163
Additions	-	11	-	-	260	154	1,299	1,724
Transfers	-	-	3,023	614	513	1,382	(5,671)	(139)
Disposals	(925)	(3,558)	(178)	(585)	(40)	-	(19)	(5,305)
At 31 March 2007	428	3,909	3,069	1,490	2,868	4,488	148	16,400
<b>Accumulated deprecn:</b>								
At 1 April 2006	-	443	188	991	1,944	2,448	-	6,014
Revaluation adjustment	-	9	-	-	-	-	-	9
Charge for year	-	584	206	300	281	512	-	1,883
Disposals	-	(247)	(146)	(498)	(24)	-	-	(915)
At 31 March 2007	-	789	248	793	2,201	2,960	-	6,991
<b>Net book amount:</b>								
At 31 March 2007	428	3,120	2,821	697	667	1,528	148	9,409
At 31 March 2006	1,337	6,866	36	470	191	504	4,539	13,943

During the year, SQA sold its premises at Hanover House, 24 Douglas Street, Glasgow for consideration of £7,077,000.

As SQA is an NDPB, all proceeds were remitted to the Scottish Executive. This cost is included in other operating expenses (note 7).

## Notes to the accounts (cont.)

### 12 Tangible assets (cont.)

SQA's premises at Ironmills Road, Dalkeith was valued as at 31 March 2005 on an existing use basis by GVA Grimley LLP, an independent valuer, as follows:

	<b>£'000</b>
Land	400
Buildings	3,700
Existing use value	<u>4,100</u>
Market value	<u>2,500</u>

The difference between the existing use value and market value of Dalkeith is due to the fact that the property in Dalkeith is well suited to SQA's operational requirements. It is unlikely that in its current configuration, a suitable tenant/owner occupier would be found if the property became vacant. The comparable amounts on a historical cost basis for feuhold buildings at the balance sheet date are:

	<b>Feuhold buildings £'000</b>
Historical cost	2,409
Accumulated depreciation	<u>1,975</u>
Net book amount	<u>434</u>

### 13 Investments

		<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>
Awards UK Limited	13(1)	200	200
Investments for unfunded pensions	13(2)	313	311
		<u>513</u>	<u>511</u>

#### (1) Awards UK Limited

SQA holds 50% of the issued share capital of Awards UK Limited, in the form of 200,000 £1 'B' ordinary shares. London Qualifications Limited (formally Edexcel Enterprises Limited), a wholly owned subsidiary of Edexcel Foundation, holds the other 50% in the form of 200,000 £1 'A' ordinary shares.

## Notes to the accounts (cont.)

### 13 Investments (cont.)

#### (1) Awards UK Limited (cont.)

Awards UK is registered in England, and is run as a joint venture, with the object of awarding SVQs and NVQs as a one stop service for customers who wish to obtain the qualifications awarded by both parties, without the inconvenience of two different administrative systems.

Awards UK Limited made a profit of £795,657 (2006: profit of £565,903) in the year, and has aggregate capital and reserves at 31 March 2007 of £400,000 (2006: £400,000). These results have not been incorporated in SQA's accounts as they are not material.

#### (2) Investments for unfunded pensions

	<b>British government securities £'000</b>	<b>Investment deposit account £'000</b>	<b>Total £'000</b>
Market value at 1 April 2006	307	4	311
Additions	-	7	7
Disposals	-	(6)	(6)
Revaluation	1	-	1
Market value at 31 March 2007	<u>308</u>	<u>5</u>	<u>313</u>

### 14 Debtors

	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>
Trade debtors	2,350	3,012
Amounts owed by Awards UK Limited	30	-
Other debtors	70	162
Prepayments and accrued income	15,870	15,519
	<u>18,320</u>	<u>18,693</u>

## Notes to the accounts (cont.)

### 14 Debtors (cont.)

Included within trade debtors are the following intra-government balances:

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
Other central government bodies	26	632
Local authorities	89	71
NHS trusts	9	11
	<hr/>	<hr/>
	124	714

Included within other debtors are loans to staff amounting to £63,000 (2006: £67,000).

### 15 Creditors: amounts falling due within one year

Trade creditors	979	1,290
Income tax and social security	2,887	2,693
Other creditors	441	242
Accruals	1,335	2,123
Deferred income	9,730	9,535
Amounts owed to Awards UK	-	4
	<hr/>	<hr/>
	15,372	15,887

Included within trade creditors are the following intra-government balances:

Other central government bodies	12	-
Local authorities	14	70
	<hr/>	<hr/>
	26	70

## Notes to the accounts (cont.)

### 16 Provisions

	<b>SQA unfunded pensions £'000</b>	<b>Early retirements &amp; severance £'000</b>	<b>VAT</b>	<b>Total £'000</b>
At 1 April 2006	358	147	70	575
Paid during year	(13)	-	(70)	(83)
Release of provision	-	(65)		(65)
Finance cost of discounted provision	23	-	-	23
At 31 March 2007	368	82	-	450

The provision for SQA unfunded pensions, represents the current capital cost of future unfunded pensions payable to SQA, SEB and SCOTVEC pensioners who were granted early retirement. The value of the provision has been calculated on the basis of transferring the unfunded pension liability to a third party.

SQA provides services to a number of countries abroad. During 2004-05, it was identified that SQA should have been registered for VAT locally and charging VAT on services provided. A provision was created in 2004-05 to cover the potential liability for unpaid VAT and associated penalties. Investigations were concluded during 2005-06 and the liability was paid in full during the year.

## Notes to the accounts (cont.)

### 17 Reserves

	Capital reserve	Capital grant reserve	Revaluation reserves			Revenue reserves			Total reserves
	£'000	£'000	Land and buildings	Investments for unfunded pensions	Total	Revenue reserve	Defined benefit liability reserve	Total	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Per prior years accounts	4,045	-	4,860	26	4,886	3,055	3,422	6,477	15,408
Transferred from deferred income	-	4,806	-	-	-	-	-	-	4,806
Restated at 1 April 2006	4,045	4,806	4,860	26	4,886	3,055	3,422	6,477	20,214
Revaluation surplus	-	-	154	1	155	-	-	-	155
Realised on depreciation	-	-	(469)	-	(469)	469	-	469	-
Movement on pension deficit	-	-	-	-	-	(1,068)	1,068	-	-
Actuarial gain	-	-	-	-	-	-	(7,211)	(7,211)	(7,211)
Released to the I&E account	-	(1,751)	(1,583)	-	(1,583)	3,334	-	3,334	-
Deficit for the year	-	-	-	-	-	(21,347)	-	(21,347)	(21,347)
Government funding	-	2,290	-	-	-	16,005	-	16,005	18,295
At 31 March 2007	4,045	5,345	2,962	27	2,989	448	(2,721)	(2,273)	10,106

## Notes to the accounts (cont.)

### 17 Reserves (cont.)

#### 17(1) Government funding

	2007 £'000	2006 £'000
Scottish Executive 5 - 14 programme	566	706
Scottish Executive accreditation	1,469	1,601
Scottish Executive development	3,869	2,268
Other government development	-	693
	<hr/> 5,904	<hr/> 5,268
Total additional funding received	12,391	15,093
Additional funding credited to capital grant reserve	(2,290)	(4,455)
	<hr/> 16,005	<hr/> 15,906

During the year the Government Financial Reporting Manual (FReM) introduced changes in the way that government funding is presented.

Non EU funding and additional funding received for revenue purposes are now regarded as contributions from controlling parties and should be accounted for as financing ie by crediting them to the income and expenditure reserve.

Funding received for capital purposes should now be credited to a government grant reserve (not deferred income) and released to the income and expenditure account over the useful life of the asset.

The table below shows the surplus / deficit for the year compared to what it would have been had the FReM not introduced these changes.

Deficit incorporating FReM changes	<hr/> (21,347)	<hr/> (16,926)
Deficit had FReM changes not been introduced	<hr/> (3,591)	<hr/> (328)

### 18 Commitments

Annual commitments under operating leases are as follows:

Leases of office equipment expiring:			
	within 2 to 5 years	204	340
Leases of land and buildings expiring:	within 1 year	-	241
	within 2 to 5 years	24	20
	in over 5 years	1,149	1,143

## Notes to the accounts (cont.)

### 18 Commitments (cont.)

SQA moved to a new building in Glasgow in May 2006. Negotiations were finalised during the year and the annual lease commitment for this building is £1,149,000. An initial rent free period was applicable and spread evenly throughout the term of the lease. An agreement has been entered into with the Scottish Executive whereby they will refund SQA this cost. The annual lease commitment for the year ended 31 March 2007 was £1,391,000, which does not take into account the initial rent free period. The cost is included in property expenses (note 7) and the refund is included in government funding (note 17).

### 19 Contingent liabilities

As SQA is an NDPB, in the event of the sale of the property at Ironmills Road, Dalkeith, all proceeds must be remitted to the Scottish Executive.

During 2005/06 a writ was issued against SQA in respect of payment for alleged contractual services performed by the Pursuer. The amount being sued for was £330,000. SQA defended the litigation and £70,000 was paid during the year in full and final settlement.

### 20 Notes to cash flow statement

#### (1) Reconciliation of operating deficit to net operating cash flows

	2007 £'000	2006 £'000 Restated
Excess of expenditure over income before interest	(22,166)	(17,602)
Depreciation	1,987	1,911
(Gain) on disposal of fixed assets	(2,692)	(14)
Decrease / (increase) in debtors	368	(2,522)
(Decrease) / increase in creditors	(614)	2,520
(Decrease) in provisions	(148)	(81)
(Increase) / decrease in defined benefit liability	(460)	137
	<hr/>	<hr/>
Net cash flow from operating activities	(23,725)	(15,651)

#### (2) Reconciliation of movement in cash and overdrafts

Closing cash balance	65	1
Less: opening cash balance	(1)	(390)
	<hr/>	<hr/>
Increase / (decrease) in cash	64	(389)

## Notes to the accounts (cont.)

### 20 Notes to cash flow statement (cont.)

#### (3) Reconciliation of cashflow to net debt

	2007 £'000	2006 £'000 Restated
(Decrease) in cash	64	(389)
Movement in net funds / (debt)	64	(389)
Net funds at end of previous year	1	390
Net funds at end of year	65	1

#### (4) Analysis of movement in net debt

	1 April 2006 £'000	Cash flows £'000	31 March 2007 £'000
Cash, overdrafts and liquid resources	1	64	65
	1	64	65

### 21 Post balance sheet events

For the year ended 31 March 2007, SQA was a recognised Scottish Charity, with charity number SC026097. As a result of an enquiry under section 28 of the Charities and Trustee Investment (Scotland) Act 2005, SQA no longer meets the charity test and was subsequently removed from the Scottish Charity register with effect from 23 April 2007.

As SQA is no longer a recognised Scottish Charity, no further gift aid payments will be received from Awards UK Limited. Instead, the directors for Awards UK Limited recommend that dividends totalling £576,475 be paid to both the SQA and Edexcel Limited for the year ended 31 March 2007. No provision has been made in the accounts for SQA's share of this dividend.

There are no other significant post balance sheet events requiring disclosure.

## Notes to the accounts (cont.)

### 22 Pensions

All eligible employees are entitled to membership of the Strathclyde Local Government Superannuation Scheme (LGSS). New employees who are already members of the Scottish Executive Teachers Superannuation Scheme (TSS) are entitled to maintain their membership of this scheme.

The LGSS is a group defined benefit scheme covering employees of the former Strathclyde Regional Council and other admitted bodies and responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The TSS is a group defined benefit scheme covering teachers and related occupations and is the responsibility of the Scottish Public Pensions Agency. This scheme is unfunded. These arrangements comply with the guidance contained in 'Non-Departmental Public Bodies: A guide for Departments'.

Both schemes provide benefits based on final pensionable pay, and contributions during the year totalled £2,049,000 (2006: £1,820,000), consisting of £1,899,000 (2006: £1,679,000) to the LGSS Scheme and £150,000 (2006: £141,000) to the TSS Scheme. Included within creditors are outstanding contributions of £225,000 (2006: £202,000) due to the LGSS scheme and £19,000 (2006: £19,000) due to the TSS scheme at 31 March 2007.

Actuarial valuations for both schemes are prepared regularly with the last LGSS valuation to 2005 and the last TSS valuation being to 2001. Details of these valuations can be obtained from published reports.

The SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGSS, based on the 2005 valuation, have set rates based on employees' salaries as follows: 2006-07 15.6% and 2007-08 16.2%. The TSS has set rates at 13.5% for 2007-08. The rate is expected to rise further as a result of the 2005 scheme valuation to around 14.25% in April 2008. The final figure is not yet available.

The Scottish Public Pensions Agency has not provided information to enable SQA to identify its share of the liabilities of the TSS at 31 March 2007.

The following information relates to the Strathclyde Local Government Superannuation Scheme.

## Notes to the accounts (cont.)

### 22 Pensions (cont.)

Changes in the present value of the defined benefit obligation are as follows:

	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>
Opening defined benefit obligation	43,541	34,442
Current service cost	1,995	1,841
Past service cost	(537)	-
Interest cost	2,658	2,331
Contributions by plan participants	742	684
Actuarial losses	7,251	4,948
Losses on curtailments	77	-
Benefits paid	(718)	(705)
Closing defined benefit obligation	<u>55,009</u>	<u>43,541</u>

Changes in the fair value of the plan assets are as follows:

Opening fair value of plan assets	46,963	35,667
Expected return on assets	3,266	2,556
Contributions by plan participants	742	684
Contributions by employer	1,995	1,690
Actuarial gains	40	7,071
Benefits paid	(718)	(705)
Closing fair value of plan assets	<u>52,288</u>	<u>46,963</u>

It is estimated that employer's contributions for the year to 31 March 2008 will be approximately £1,988,000.

The major categories of plan assets are as follows:

	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>
Equities	38,375	35,709
Bonds	6,410	4,823
Property	5,214	4,267
Cash	2,289	2,164
Total fair value of plan assets	<u>52,288</u>	<u>46,963</u>

## Notes to the accounts (cont.)

### 22 Pensions (cont.)

The amounts recognised in the balance sheet are as follows:

	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>	<b>31 March 2004 £'000</b>
Present value of funded obligations	(54,762)	(43,288)	(34,235)	(38,275)
Fair value of plan assets	52,288	46,963	35,667	29,675
	(2,474)	3,675	1,432	(8,600)
Present value of unfunded obligations	(247)	(253)	(207)	(166)
(Deficit) / Asset	(2,721)	3,422	1,225	(8,766)
Amounts in the Balance Sheet:				
Liabilities	(2,721)	-	-	(8,766)
Assets	-	3,422	1,225	-
Net (liability) / asset	(2,721)	3,422	1,225	(8,766)

Note: Figures are not available for the year ended 31 March 2003.

The amounts recognised in the profit or loss are as follows:

	<b>Year to 31 March 2007 £'000</b>	<b>Year to 31 March 2006 £'000</b>
Current service cost	1,995	1,841
Interest on obligation	2,658	2,331
Expected return on plan assets	(3,266)	(2,556)
Past service cost	(537)	-
Losses on curtailments and settlements	77	-
Total	927	1,616
Actual return on plan assets	(3,306)	(9,627)

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (ie as at 31 March 2007 for the year to 31 March 2008).

## Notes to the accounts (cont.)

### 22 Pensions (cont.)

The amounts recognised in the statement of total recognised gains and losses are as follows:

	<b>Year to 31 March 2007 £'000</b>	<b>Year to 31 March 2006 £'000</b>
Actuarial gains and (losses) arising on the defined benefit obligation	(7,251)	(4,962)
Actuarial gains and (losses) arising on the fair value of plan assets	40	7,071
Actuarial (loss) / gain recognised in STRGL	(7,211)	2,109

The principal actuarial assumptions at the balance sheet date are as follows:

	<b>31 March 2007</b>	<b>31 March 2006</b>
Pension increase rate	3.2%	3.1%
Salary increase rate	4.7%	4.6%
Return on assets	3.2%	3.1%
Discount rate	5.4%	6.0%

### 23 Related parties

SQA is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Executive Education Department (SEED).

The SEED is regarded as a related party. During the year SQA has had various material transactions with the Department. At the year end, £20,000 (2006:£91,000) was owed to SQA. In addition, SQA has had material transactions with the Scottish Executive Enterprise and Lifelong Learning Department (SEELLD). At the year end, £6,000 (2006: £474,000) was owed to SQA. Grant funding received from the Scottish Executive is disclosed in note 17.

During the year SQA made cost recharges and sold goods and services in the ordinary course of business totalling £206,000 (2006: £246,000) to Awards UK Limited, a 50% owned joint venture company (see note 13). Awards UK Limited owed SQA £30,000 at 31 March 2007. SQA owed Awards UK Limited £4,000 at 31 March 2006. SQA Director, John McDonald, holds the position of board member there.

During the year SQA levied entry charges totalling £322,000 (2006: £321,000) to Glasgow College of Nautical Studies. These transactions were made in the normal course of business. At the year end £35,000 (2006: £23,000) was owed to SQA. This organisation is a related party as former SQA Chief Executive, Anton Colella, held the position of Board Member there during the year.

## Notes to the accounts (cont.)

### 23 Related parties (cont.)

Additionally, during the year SQA levied charges of £nil (2006: £12,000) to SFEU. In addition, SQA incurred charges of £42,000 (2006: £35,000) to SFEU. These transactions were made in the normal course of business. At the year end £nil (2006: £12,000) was owed by SQA. This organisation is a related party as former SQA Chief Executive, Anton Colella, was a member of the SFEU Board during the year.

During the year SQA levied entry charges totalling £211,000 (2006: £302,000) to Jewel and Esk Valley College. In addition, £88,000 (2006: £81,000) of charges were incurred by SQA from Jewel and Esk Valley College. These transactions were in the normal course of business. At the year end £14,000 (2006: £2,000) was owed to SQA. Jewel and Esk Valley College is a related party as SQA Directors, Ron Sylvester and Tom Drake, hold positions on the Board of Management at the College.

During the year SQA levied entry charges totalling £230,000 (2006: £448,000) to Forth Valley College. In addition, SQA incurred charges of £227,000 (2006: £89,000) from Forth Valley College. These transactions were in the normal course of business. At the year end £4,000 (2006: £92,000) was owed to SQA. Forth Valley College is a related party as SQA Board Member, Linda McKay, holds the post of Principal there.

During the year SQA levied entry charges totalling £276,000 (2006: £352,000) to Stevenson College. In addition, £118,000 (2006: £18,000) of charges were incurred by SQA from Stevenson College. These transactions were in the normal course of business. At the year end £7,000 (2006: £21,000) was owed to SQA. Stevenson College is a related party as SQA Director, Maidie Cahill, holds the position of Board Member and Vice-Chair there.

During the year, SQA incurred charges of £55,000 (2006: £77,000) from Heriot-Watt University. These transactions were made in the normal course of business. Heriot-Watt University is a related party as SQA Board Member, Prof. John Simmons, held the post of Vice-Principal there until 31 July 2006. From 1 August 2006 until 31 January 2007, Professor Simmons was Acting Principal and Vice-Chancellor of Heriot-Watt University.

During the year, SQA levied charges of £86,000 (2006: £39,000) to Learning and Teaching Scotland. In addition, SQA incurred charges of £37,000 (2006: £5,000) from Learning Teaching Scotland. These transactions were in the normal course of business. At the year end £10,000 (2006: £20,000) was owed to SQA. Learning Teaching Scotland is a related party as SQA Board Member, John Mitchell, holds the position of Board Member there and another SQA Board Member, Margaret Nicol, holds the position of member of the Advisory Council there.

During the year, SQA levied entry charges totalling £1,000. Additionally, SQA incurred charges of £nil (2006: £6,000) from Madras College. These transactions were in the normal course of business.

Madras College is a related party as Board Member, Margaret Nicol, holds the position of Principal Teacher there.

During the year, SQA incurred charges of £3,000 from CBI Scotland. All these transactions were made in the normal course of business. CBI Scotland is a related party as former SQA Vice Chairman Iain McMillan holds the post of Director there.

## **Notes to the accounts (cont.)**

### **23 Related parties (cont.)**

During the year, the development partners of the Scottish Credit and Qualifications Framework set up new arrangements for managing the framework. A new company, limited by guarantee, has been formed, called the SCQF Partnership, with company number SC311573. The members of the company are: the Association of Scotland's Colleges; SQA; Scottish Ministers; Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF Partnership is also a related party as SQA Director, John Young, holds the position of Board Member there. There were no transactions between the SCQF Partnership and SQA during the year.

Apart from the above, none of the Board Members or key managerial staff of SQA has undertaken any material transactions with SQA during the year.

# 17 Accounts direction



## SCOTTISH QUALIFICATIONS AUTHORITY

### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 16 of the Education Scotland Act 1996, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

A handwritten signature in cursive script, appearing to read 'Christine Bevan'.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006