

**POLICY AND FINANCIAL MANAGEMENT REVIEW OF THE
SCOTTISH QUALIFICATIONS AUTHORITY
STAGE TWO REPORT**

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CHAPTER 1

INTRODUCTION

Background

1.1 It is Scottish Executive policy that all Non-Departmental Public bodies (NDPBs) should be subject to a comprehensive Policy and Financial Management Review (PFMR) at least once every five years with the aim of improving public service delivery. PFMRs are undertaken in two distinct stages. The first stage examines whether the functions of the NDPB are still required and, if so, whether the NDPB model continues to be the appropriate governance model for delivering these functions. The second stage of a PFMR is only carried out if the first stage concludes that the functions are still relevant and that the NDPB model remains appropriate. In this second stage, the efficiency and effectiveness of the NDPB are examined in more detail.

1.2 The first stage of the SQA PFMR was completed in September 2001. Ministers concluded that the functions of the SQA, to develop and award qualifications below degree level, were still relevant and that the NDPB model was the most appropriate governance model for the delivery of these functions¹. This decision triggered the carrying out of the second stage of the SQA's PFMR.

Context

1.3 The second stage of a PFMR has the aim of acting as a catalyst for change within the organisation concerned in order to improve service delivery. Most PFMRs are radical reviews of static organisations that have been operating routinely without any major problems. However, this is not the case with the SQA. Following the problems with the certification of exam results in 2000 the Scottish Executive commissioned Deloitte & Touche to carry out an independent review into exam results issues concerning the SQA. Since then, the SQA has implemented many of Deloitte & Touche's subsequent recommendations and others are in the process of being implemented.

1.4 In addition, two Parliamentary committees carried out inquiries following the events of 2000. The Education, Culture and Sport Committee (ECSC) Exams Results Inquiry² covered the events leading up to and the immediate causes of the difficulties in summer 2000; and the Enterprise and Lifelong Learning Committee (ELLC) examined the governance of the SQA³.

¹ Ministers' statement to Parliament on 13 September 2001 announced this conclusion.

² The remit of the Education, Culture and Sport Committee is to consider and report on matters relating to school and pre-school education, the arts, culture and sport and such other matters as fall within the responsibility of the Minister for Children and Education. Its findings following an inquiry into the exams results issue were made in its 11th report 2000.

³ The remit of The Enterprise and Lifelong Learning Committee is to consider and report on matters relating to the Scottish economy, industry, tourism, training and further and higher education and other matters within the remit of the Minister for Enterprise, Transport and Lifelong Learning. The Committee's 6th report presented the findings of its inquiry into the governance of the SQA.

1.5 Following its inquiry, the ECSC recommended, among other things, that there should be a review of the structure of the SQA Board and that the Executive should establish a robust system of control and monitoring of SQA and its operations. It also recommended that the powers of the Executive to intervene in the operation of the SQA, and the circumstances in which they may do so, should be clarified and detailed.

1.6 The ELLC's recommendations included that the Board should be reformed with its membership reduced and a break made with SQA's main stakeholders so that the Board was free to focus on the wider management of the organisation. The Committee recommended that a separate Advisory Council, independent from the Board, should be established to provide stakeholder input. The ELLC also concluded that the governance of the SQA was not the primary factor in its failings, rather it was a failure of management.

1.7 Through the introduction of the SQA Act 2002, Ministers have now reduced the size of the SQA Board from 24 to 10 and moved stakeholder representation issues away from the Board into a separate Advisory Council which is expected to begin operating from March 2003. This has allowed Board members to focus more on the management of the SQA. In addition, the SQA Act 2002 introduced a regulation making power to allow Ministers to specify certain issues relating to the running of the Board.

1.8 In conjunction with the PFMR the current Management Statement and Financial Memorandum (MSFM) has been reviewed in order to clarify and strengthen control and monitoring of the SQA. The MSFM sets the broad framework within which an NDPB operates including rules, guidelines, conditions of any public funding and how the body will be held accountable for its performance.

1.9 The second stage of the PFMR has therefore been carried out in the context of all of these inquiries, reviews and the new legislation. The enormous amount of remedial action and internal change which has been taking place within SQA since 2000 and continues today has also had to be taken into consideration. This has meant that some of the recommendations contained in this report have already been implemented or are in the process of being implemented. This work mirrors efforts that would normally be expected to take place following the second stage of a PFMR.

PFMR process and remit

1.10 A Steering Group comprising of members from the Scottish Executive and the SQA was established to take forward the second stage of the PFMR. Membership of the Steering Group is outlined in Appendix 1.

1.11 The Steering Group agreed that the second stage of the SQA PFMR should be taken forward in the context of ongoing remedial work (most of which emanates from Diet 2000) and work being carried out to deal with core issues, with the aim of ensuring SQA can deliver its functions effectively, and build a strong and capable organisation. Taking its lead from the issues identified in the Deloitte & Touche and two parliamentary reports, it was agreed that the PFMR would concentrate on the following themes:

- Planning framework;
- Financial planning and control;
- Information technology;
- Relationships with stakeholders;
- Governance.

CHAPTER 2

PLANNING FRAMEWORK

Background

2.1 The current position is that SQA is required to prepare a Corporate Plan annually setting out how it intends to approach its functions and activities over a 3-year cycle. The plan also sets out the strategic aims, policies and priorities it intends to adopt in doing so and links the plan with funding requirement. The planning process, as set out in the current Management Statement and Financial Memorandum (MSFM), requires early discussion with the sponsoring Division on the SQA's key objectives with a particular focus on the policy and developmental priorities of Scottish Ministers and other activities requiring development funding. Once agreement has been made on key objectives and the associated performance indicators the SQA is required to develop an operational plan for the first year and construct estimates on the likely costs of meeting the agreed key objectives.

Issues identified during 2002

2.2 The Deloitte & Touche inquiry revealed that, for 2000-01, the SQA did not have an adequate, integrated, holistic operational plan below Corporate Plan level. Although each of the Units produced a plan based on corporate goals with targets and performance indicators there was no integrated business plan that drew the Unit plans together to create an agreed plan for effectively translating organisational objectives into an operational action plan to achieve those objectives. This planning weakness and lack of depth were significant factors that contributed to the problems that arose in 2000. The business needs and the work required to meet corporate objectives were not being properly identified within the planning process and key business processes were not properly mapped or subjected to regular progress monitoring or review. This had a knock on effect on key operational areas such as Finance and IT.

Progress since 2000

2.3 Following the difficulties of 2000, SQA developed, with help of consultants, an Action Plan and management system to plan, monitor and report on progress towards certification of the main examinations diet in August. This plan has subsequently been rolled forward and refined for use in 2002 and 2003.

2.4 It is intended that the internal auditing of process maps will replace the action plan in monitoring and reporting progress towards certification. To date, over some 200 processes have been documented. A third phase of work is planned to address process re-engineering, completion of the risk management framework and provision of performance measurements. The process mapping work makes a significant contribution to SQA's decision to embrace the Excellence Model of continuous improvement.

2.5 In addition, to ensure adequate linkage between strategic and operational objectives, SQA held a series of strategy workshops during 2000, involving a wide range of external stakeholders, as well as staff from throughout the organisation. From this process a strategic plan listing SQA's priorities for the next five years has now been developed. From the strategy a Performance Plan is being produced for 2003, with objectives assigned to members of the Senior Management Team. These objectives will also be reflected within annual plans

for each business area. Progress against these plans will be monitored by the Audit and Performance Committee and reported to the Scottish Executive.

European Foundation for Quality Management (EFQM)

2.6 SQA has decided to adopt the EFQM Excellence Model as its management framework and the organisation will develop an implementation plan setting out its milestones for working towards EFQM. This objective also features in SQA's 5-year strategy and demonstrates the organisation's commitment to continuous improvement. The EFQM Excellence Model is one of the four main quality schemes that all public sector organisations are encouraged to make use of in order to improve service delivery. The EFQM Excellence Model is basically a framework against which organisations can carry out self-assessment to identify strengths and areas for improvement, to identify those areas of internal operation where improvement will have the greatest impact on ability to meet targets. The Model examines results and the processes needed to achieve them.

Recommendations

2.7 The Steering Group recommends that the SQA:

- 2.7.1 implements a business planning process that builds on its new corporate strategy, properly scoping the business needs of the organisation and accurately reflecting the cost implications.
- 2.7.2 prepares annually a business plan that identifies the objectives to be achieved in each business area.
- 2.7.3 updates all business planning processes.
- 2.7.4 reviews, in partnership with the Scottish Executive Sponsoring Division, the process for preparing and approving the Corporate Plan.
- 2.7.5 reviews, in partnership with the Scottish Executive Sponsoring Division, the format and content of the corporate plan.
- 2.7.6 continues to map all processes.
- 2.7.7 continuously reviews processes and procedures against business needs.
- 2.7.8 continues to pursue the EFQM business excellence model.

CHAPTER 3

FINANCIAL PLANNING AND CONTROL

Expenditure

3.1 While the major problems that existed with SQA's business planning processes were fundamental to causing the crisis in 2000, an inability to accurately identify and forecast the true cost of service delivery contributed to the 2000 problems. Following the 2000 crisis it became clear that the SQA had significantly underestimated the cost of effectively delivering its services following the introduction of new National Qualifications following the Higher Still reforms. For example, in 2000-01 SQA failed to budget adequately for a 66% increase in question papers resulting from the introduction of new qualifications.

3.2 In order to address these difficulties SQA introduced during 2001 a zero-based budgeting system for identifying costs. This system more accurately identifies costs by avoiding the more traditional incremental approach utilised in previous years by focussing on estimates of the actual costs without considering historical data. The system includes provision to challenge estimates to ensure that services are being delivered at minimum cost and that value for money is being achieved.

3.3 While the zero-based budgeting system has now ensured that all main costs are identified, during discussions between the SQA and the Scottish Executive about funding an apparent lack of detailed management information on discrete costs was identified as a major shortcoming. SQA have begun to address this issue and expect to be replacing the current finance IT system using additional funding being provided by the Scottish Executive. SQA expects that the new system will help to provide more detailed management information on costs.

3.4 In addition to carrying out its main statutory functions, from time to time SQA takes on additional developmental and other project work linked with its statutory functions but which are funded separately by direct grant from the Scottish Executive. In the case of the Higher Still Development project, SQA failed to manage resources properly in accordance with a planned rundown of grant funding. This resulted in funding for SQA's statutory functions having to be used to subsidise some of the costs of additional project work. Additional projects should be stand-alone with costs being fully covered by agreed project funding without the need for cross-subsidisation from SQA core funding.

Income

3.5 SQA was established as a self-financing organisation deriving its principal income from education authorities, independent schools, further education colleges, training organisations, higher education institutions and employers by means of entry charges. Since SQA had not accurately identified the true cost of delivering its services in light of the introduction of new qualifications in 2000 it failed to set charges at a high enough level to generate income that reflected the actual financial need of the organisation. SQA's income is currently temporarily being supplemented by deficit funding from the Scottish Executive.

Recovery plan to achieve self funding

3.6 Ministers have stated that SQA is to return to being self funded by financial year 2006-07. This should be achieved through a combination of increasing charges to increase income and more efficient working to decrease costs. Ministers have set the SQA a target of constant expenditure in 2003-04 compared to 2002-03 and at least constant expenditure in 2004-05 to ensure that expenditure decreases in real terms.

3.7 Furthermore, SQA, in conjunction with the Scottish Executive, is devising a financial recovery plan that will detail likely income and expenditure, and indicative levels of deficit funding required for each year until 2006-07.

3.8 SQA's customers find it difficult to understand what they are being charged for when they receive invoices and this has led to some delays in receiving payments. The charging framework is complicated and difficult to understand. As a result, SQA has initiated a review of its charging structure with a view to introducing a simplified system.

Recommendations

3.9 The Steering Group recommends that the SQA:

- 3.9.1 implements policies that ensure the regular review of value for money, with the aim of ensuring efficient service delivery.
- 3.9.2 identifies a charging framework and invoicing system that is transparent, and simple to administer and understand.
- 3.9.3 implements a system to monitor costs regularly to ensure that charges are set at levels that fully meet the costs of service delivery within each qualification block.
- 3.9.4 develops and implements financial management systems that accurately identify all costs including the cost of discrete activities.
- 3.9.5 prepares a financial recovery plan that returns SQA to self-funding status by 2006-07 through the implementation of more efficient operating systems and increased charges.

CHAPTER 4

INFORMATION TECHNOLOGY

Background

4.1 When the Scottish Examination Board (SEB) and SCOTVEC merged in April 1997 to form the SQA, the new organisation inherited Finance and Personnel IT systems from SEB (cfacs and Cyborg) and those of SCOTVEC along with the bespoke awards and examinations systems of SCOTVEC and SEB (the Record of Education and Training and Exam Processing System respectively). IT Consultants reviewed SQA's IT requirements and recommended several options. SQA decided to introduce a new awards and examinations computer system based on the same technical platform as the EPS but suitably enhance to deal with new requirements such as those presented by the new Higher Still examinations. The new system was called the Awards Processing System (APS). SQA also decided to build upon the Finance and Personnel systems it inherited.

4.2 The Deloitte & Touche inquiry reported that while the APS system attracted initial criticism, the major failing was not so much in the system itself but more in the failure of SQA to view IT strategically within the whole of the organisation and in the context of properly identified business requirements. Indeed at the time of the inquiry the investigators found that no definitive IT strategy existed. Business requirements were not properly specified and the implementation of the APS was not adequately planned. In addition, not enough emphasis was placed on testing and training of staff.

4.3 Therefore, the approach taken by the PFMR Steering Group in considering IT was to review SQA's current IT development activities and to see how effectively they linked in to it's business planning. The aim was to ensure that the development of IT strategy was effectively embedded in the business planning process as recommended by the Deloitte & Touche report.

Identification of IT needs

4.4 Until recently, the SQA identified its IT needs through a number of separate processes. As part of the three-year rolling programme of key objectives set out by the Corporate Plan, each business area, in discussion with staff in IT, Personnel and Finance, developed an annual business plan. As business areas developed their individual plans their IT requirements were captured in discussion with their Information Systems Account Managers. Once these requirements were agreed they were documented in individual business area plans that were maintained and monitored centrally within SQA. Awards Processing System developments were handled outwith this identification and planning process and always had a project board or similar group to oversee the developments.

4.5 The original Personnel and Finance IT systems were selected following competitive tendering some years ago and are maintained by external companies under contract to SQA. Internal SQA staff provide limited support for running these applications and implementing upgrades provided under the maintenance contracts. SQA is planning to review its Personnel and Finance systems and explore options for enhancement or replacement.

4.6 As well as identifying the IT needs of individual business units, SQA has a number of other groups which help identify potential IT requirements. These include technical groups

in each of the main customer areas (schools, colleges and ETPs) to discuss relevant issues such as the timing, content and structure of reports issued to centres and the administrative process relating to examinations. Links with centres' software suppliers (e.g., Phoenix, SEEMIS and Capita) are maintained for sharing technical information. There are also account managers who liaise with all centres on a regular basis and feed back to SQA on a range of issues during their visits to centres including on IT.

4.7 Early in 2001, SQA formed the APS Development Group to manage Awards Processing System developments. This group had responsibility for co-ordinating all APS developments, including identifying potential improvements, prioritising activities and deciding which projects progressed. The APS Development Group reviewed all requests for systems developments and decided which ones proceeded by reviewing Project Initiation Documents (PIDs). The group maintained an overall plan of developments and each development was managed as a project. SQA also formed the Process Committee to explore step-change developments in IT for the organisation.

Recent developments

4.8 The SQA has recently introduced an Information Systems Steering Group which will have overall responsibility for agreeing all Information Systems (IS) projects, in line with business requirements. The group, with support from KPMG, has recently put together an Information Systems Strategy covering the next five years. The Scottish Executive is providing financial support for this strategy. Since the IS Steering Group will agree all IS developments, the APS Development Group has been disbanded.

4.9 A number of other initiatives have been introduced. The SQA now has a top level Business Continuity Plan which describes the structure and roles of the Crisis Management Team. SQA has also formed a Disaster Recovery team. The SQA updated its Information Security Policy document and developed a Computer and Communications Acceptable Use Policy in June 2002. A number of IT guidance documents were also recently revised and provided to staff.

Conclusion and Recommendations

4.10 The corporate planning process upon which SQA based its identification of IT needs was itself flawed by its failure to deliver an integrated annual business plan for the organisation. That meant that the identification of IT needs was similarly flawed. IT needs analysis was being carried out for individual business areas in isolation from the rest of the organisation and separately from APS development and any development of the personnel and finance IT systems. No integrated IT strategy has been prepared to date.

4.11 The Steering Group recommends that SQA:

4.11.1 develops an IS Strategy that is effectively embedded in the business planning process and addresses the IT business needs of the whole office without delay. The strategy should:

- cover all IS activity, not just the APS System;
- include a review of current systems including Finance and Personnel;
- embrace technology refreshes and office automation products;
- identify manual processes which could be automated;
- take stock of developments to date and lessons learned;

- include identification of skills/staffing requirements; and,
 - address quality issues within IS planning.
- 4.11.2 further develops its Business Continuity and Disaster Recovery plans and that these plans should cover all systems in SQA and there should be clear owners and contingency plans for identified key risks.
- 4.11.3 should regularly review its IS/IT policies and procedures and should seek formal recognition to BS 7799 part 1. (ISO 17799)
- 4.11.4 should formally adopt PRINCE2 as its project management methodology and a programme of training should be introduced to ensure all project managers are appropriately trained.

CHAPTER 5

RELATIONSHIPS WITH STAKEHOLDERS

Background

5.1 Given the broad range of stakeholders connected with the work of the SQA and the importance of strong stakeholder relations to the successful delivery of the SQA's functions, the Steering Group considered the examination of SQA's interaction with stakeholders should form a significant part of the PFMR report.

5.2 The Group initiated a review of all stakeholder relations to map out stakeholder contacts, to show what information they provide and to whom or what committee or group and whether or not the existing vehicles provide the right sort of information. The review also considered stakeholders' needs and expectations and what the SQA needed in terms of stakeholders' views. The review was carried out through a PFMR sub-group. An initial audit provided information that resulted in the production of a simplified map of stakeholder groups and how they interact with SQA. This is attached at Appendix 2 along with descriptions of the key internal and external strategic and operational groups.

5.3 There then followed an internal and external audit of SQA's stakeholders including the holding of a number of events to which staff and stakeholders were invited. These events allowed feedback to be drawn from all stakeholders on their views of SQA's links and communications with them, and gave stakeholders the opportunity to influence how communication with SQA might be improved.

The Advisory Council of the SQA

5.4 The Scottish Qualifications Authority Act 2002 makes provision for the establishment of an Advisory Council which will bring together and input at Board level stakeholder views on issues which affect the SQA. Scottish Ministers have now appointed members to the Advisory Council and the first meeting of the Council will take place shortly. In conducting the review of current arrangements for liaising with stakeholders, the PFMR sub-group recognised that the new Advisory Council will be a key element in SQA's stakeholder strategy.

Main issues

5.5 The main perceptions and issues raised in connection with SQA's relationships with stakeholders were as follows:

- While SQA has in the place the necessary structures and groups to identify the issues, threats, and opportunities which impact on the development and implementation of qualifications and services, the communication conduits are not clearly defined.
- How policy is developed and communicated through the key strategy groups – the Advisory Groups, Qualifications Policy and Planning Group (QPPG), the Qualifications Committee, Senior Management Team (SMT) and the Board – requires clarification.

- There appears to be no SQA strategic forum specifically for schools. Currently schools work through the National Qualifications Steering Group, and through those Advisory Groups which have an National Qualifications focus.
- SQA should interact with and work in partnership with key players in the education and training landscape to develop and deliver its qualifications.
- Stakeholders voiced concern that given the limited pool of expertise available, the membership of the Advisory Council will duplicate the membership of other groups
- There is a tendency for groups, even with a strategic remit, to work at an operational level.
- Stakeholders would like to be consulted at an earlier stage when SQA is designing its systems and procedures. It is essential to consult at the right level – consulting at too high a level will fail to identify issues.
- There is no formal mechanism for gathering and acting on stakeholder comments gathered from operational routes (field staff, appointees), and a lack of co-ordinated corporate response by SQA to feedback.
- There is a requirement by stakeholders for SQA to use electronic communication more effectively to handle communication, document control, customer feedback, product information, and policy documentation.

5.6 While SQA has significantly improved its communication with stakeholders and customers since 2000, and has put in place a number of projects, activities and plans to ensure that this continues, three significant issues have arisen out of this review of stakeholder/SQA contact:

- The understanding, perceived or real, that while the necessary strategic structures and groups are in place, the conduits for stakeholders to influence SQA policy are undefined and unclear.
- While the FE and ETP sectors have direct strategic routes into SQA, the school sector works through external groups. This is a legacy of post-August 2000 when school issues were treated as operational or as NQ issues through the Ministerial Review Group and the NQ Steering Group.
- Corporate mechanisms for gathering and responding to stakeholder feedback need to be improved.

SQA's response to stakeholder feedback

5.7 SQA has already begun to take action in response to the stakeholder feedback received both before and during this audit and in actually addressing some of the issues raised. Some of the activities SQA has already carried out are listed in Appendix 3.

Developing SQA's strategy

5.8 In view of the importance of stakeholder input to its operations, SQA engaged with a wide range of staff and external stakeholders in developing the strategic themes and objectives contained in its five-year strategy. The theme on 'partnerships' represents SQA's aspirations for developing strategic alliances and agreements with stakeholders and partners. SQA plans to introduce service level agreements with centres to define the level of service which customers can expect of the organisation. The final strategy sets listening and responding to customers' needs at its heart and commits the SQA to:

- Listening effectively to all stakeholders
- Working with partners to align strategies
- Increasing the contribution of staff to improving quality
- Becoming more customer-focused and responsive to customer needs

Conclusion and recommendations

5.9 SQA recognises and acknowledges that it must re-establish its reputation with stakeholders at home, within the UK and abroad in order to become a more customer focused, more listening and more effective deliverer of public services.

5.10 The Steering Group recommends that SQA should:

- 5.10.1 ensure that the Advisory Council of the SQA is an effective mechanism for bringing together stakeholder perspectives.
- 5.10.2 review the current position regarding stakeholder contacts/partnerships, rationalise these contacts to ensure effectiveness of relationships/partnerships and explore the expansion of partnership working, particularly in the context of the Advisory Council.
- 5.10.3 improve and clarify the conduits for two-way communication between SQA and all its stakeholders, including appointees.
- 5.10.4 ensure that it supports the lifelong learning agenda through strategic partnerships with key stakeholder groups.
- 5.10.5 take a customer focused approach to all activity and develop an organisation-wide customer management system.

CHAPTER 6

GOVERNANCE

6.1 While the conclusion of the first stage of the PFMR was that the SQA should be retained as an NDPB, some necessary changes on governance were suggested in order to strengthen the existing control and guidance measures and to clarify responsibilities. Suggested changes included:

6.1.1 the introduction of legislation to reduce the size of the Board to between seven or nine members including a Chair with all appointments made by Scottish Ministers;

6.1.2 focussing Board members' responsibilities more on the business of running SQA with stakeholder interests being input through an Advisory Council;

6.1.3 introducing through legislation a regulation making power to allow Ministers to specify other issues relating to the running of the Board; and,

6.1.4 re-drafting the Management Statement and Financial Memorandum to make the SQA's responsibilities much clearer

6.2 All four suggestions have now been implemented. Provisions for the first three were made in the Scottish Qualifications Authority 2002. Board membership has been reduced to between 8 and 10 with all appointments now made by Scottish Ministers. An Advisory Council to feed stakeholder views to the Board has been established by Order and Scottish Ministers have recently appointed 16 members to the Council including a Convenor. The Act also gave Scottish Ministers the power to specify other issues relating to the running of the Board.

6.3 In conjunction with this PFMR process the Management Statement and Financial Memorandum has been reviewed and revised to clarify roles and responsibilities. The revised MSFM has been approved by Scottish Ministers and was implemented on 10 March 2003.

Conclusions and recommendations

6.4 The Steering Group recommends that:

6.4.1 the Scottish Executive sponsoring division should establish as a matter of urgency mechanisms to monitor SQA's compliance with the Management Statement and Financial Memorandum.

PFMR SECOND STAGE REPORT
SUMMARY OF RECOMMENDATIONS

PLANNING FRAMEWORK

SQA will:

2. implement a business planning process that builds on its new corporate strategy, properly scoping the business needs of the organisation and accurately reflecting the cost implications;
3. prepare annually a business plan that identifies the objectives to be achieved in each business area;
4. update all business planning processes;
5. review, in partnership with the Scottish Executive Sponsoring Division, the process for preparing and approving the Corporate Plan;
6. review, in partnership with the Scottish Executive Sponsor Division, the format and content of the corporate plan;
7. continue to map all processes;
8. continually review processes and procedures against business needs; and,
9. continue to pursue the EFQM business excellence model.

FINANCIAL PLANNING AND CONTROL

SQA will:

Expenditure

10. implement policies that ensure the regular review of value for money, with the aim of ensuring efficient service delivery;

Income

11. identify a charging framework and invoicing system that is transparent, and simple to administer and understand;
12. implement a system to monitor costs regularly to ensure that charges are set at levels that fully meet the costs of service delivery within each qualifications block;

Financial management systems

13. develop and implement financial management systems that accurately identify all costs including the cost of discrete activities;

Recovery plan to achieve self-funding by 2006

14. prepare a financial recovery plan that returns SQA to self-funding status by 2006-07 through the implementation of more efficient operating systems and increased charges.

INFORMATION TECHNOLOGY

SQA will:

15. develop an IS Strategy that is effectively embedded in the business planning process and addresses the IT business needs of the whole office without delay. The strategy will:
 - cover all IS activity, not just the APS System;
 - include a review of current systems including Finance and Personnel;
 - embrace technology refreshes and office automation products;
 - identify manual processes which could be automated;
 - take stock of developments to date and lessons learned;
 - include identification of skills/staffing requirements; and,
 - address quality issues within IS planning.
16. further develop its Business Continuity and Disaster Recovery plans and these plans will cover all systems in SQA and there should be clear owners and contingency plans for identified key risks;
17. regularly review its IS/IT policies and procedures and should seek formal recognition to BS 7799 part 1. (ISO 17799); and,
18. formally adopt PRINCE2 as its project management methodology and a programme of training should be introduced to ensure all project managers are appropriately trained.

STAKEHOLDERS

SQA will:

19. ensure that the Advisory Council of the SQA is an effective mechanism for bringing together stakeholder perspectives;
20. review the current position regarding stakeholder contact/partnership, rationalise these contacts to ensure effectiveness of relationships/partnerships and explore the expansion of partnership working, particularly in the context of the Advisory Council;
21. improve and clarify the conduits for two-way communication between SQA and all its stakeholders, including appointees;
22. ensure that it supports the lifelong learning agenda through strategic partnerships with key stakeholder groups; and,

23. take a customer focused approach to all activity and develop an organisation-wide customer management system.

GENERAL

SQA will:

24. explore IIP status with the Scottish Executive sponsoring division.

The Scottish Executive sponsoring division will:

25. establish as a matter of urgency mechanisms to monitor SQA's compliance with the revised Management Statement and Financial Memorandum.

ACTION PLAN FOR IMPLEMENTATION

This action plan sets out the recommendations of the Steering Group in a checklist format detailing the bodies responsible and the timescale in which recommendations should be implemented.

The timescales given are intended to relate to the following calendar periods from date of publication of report:

Short term - within the next year
 Medium term - in 1-2 years

| NUMBER | RECOMMENDATION | BODY RESPONSIBLE | TIMING |
|--------|---|------------------|------------|
| | PLANNING FRAMEWORK | | |
| 1. | Implement a business planning process that builds on SQA's new corporate strategy, properly scoping the business needs of the organisation and accurately reflecting the cost implications. | SQA | Short term |
| 2. | Prepare annually a business plan that identifies the objectives to be achieved in each business area. | SQA | Short term |
| 3. | Update all business planning processes. | SQA | Short term |
| 4. | Review, in partnership with the Scottish Executive Sponsor Division, the process for preparing and approving the Corporate Plan. | SQA/SEED | Short term |
| 5. | Review, in partnership with the Scottish Executive Sponsor Division, the format and content of the corporate plan. | SQA/SEED | Short term |
| 6. | Continue to map all processes. | SQA | Ongoing |
| 7. | Continually review processes and procedures against business needs. | SQA | Ongoing |
| 8. | Continue to pursue the EFQM business excellence model. | SQA | Ongoing |

| FINANCIAL PLANNING AND CONTROL | | | |
|---------------------------------------|--|----------|---|
| 9. | Implement policies that ensure the regular review of value for money, with the aim of ensuring efficient service delivery. | SQA | Short term |
| 10. | Identify a charging framework and invoicing system that is transparent, and simple to administer and understand. | SQA | Short term |
| 11. | Implement a system to monitor costs regularly to ensure that charges are set at levels that fully meet the costs of service delivery within each qualification block. | SQA | Short term |
| 12. | Develop and implement financial management systems that accurately identify all costs including the cost of discrete activities. | SQA | Short term |
| 13. | Prepare a financial recovery plan that returns SQA to self-funding status by 2006/7 through the implementation of more efficient operating systems and increased charges. | SQA/SEED | Short term |
| INFORMATION TECHNOLOGY | | | |
| 14. | Develop an IS Strategy that is effectively embedded in the business planning process and addresses the IT business needs of the whole office without delay. The strategy will: <ul style="list-style-type: none"> • cover all IS activity, not just the APS System; • include a review of current systems including Finance and Personnel; • embrace technology refreshes and office automation products; • identify manual processes which could be automated; • take stock of developments to date and lessons learned; • include identification of skills/staffing requirements; and, • address quality issues within IS planning. | SQA | Short and medium term <ul style="list-style-type: none"> • Short term • Short term • Medium term • Short term • Medium term • Short term • Medium term |
| 15. | Further develop its Business Continuity and Disaster Recovery plans and these plans will cover all systems in SQA and there should be clear owners and contingency plans for identified key risks. | SQA | Short term |

| | | | |
|-----|--|----------|-------------|
| 16. | Regularly review its IS/IT policies and procedures and should seek formal recognition to BS 7799 part 1. (ISO 17799). | SQA | Short term |
| 17. | Formally adopt PRINCE2 as its project management methodology and a programme of training should be introduced to ensure all project managers are appropriately trained. | SQA | Short term |
| | STAKEHOLDERS | | |
| 18. | Ensure that the Advisory Council of the SQA is an effective mechanism for bringing together stakeholder perspectives. | SQA | Short term |
| 19. | Review the current position regarding stakeholder contact/partnership, rationalise these contacts to ensure effectiveness of relationships/partnerships and explore the expansion of partnership working, particularly in the context of the Advisory Council. | SQA | Short term |
| 20. | Improve and clarify the conduits for two-way communication between SQA and all its stakeholders, including appointees. | SQA | Short term |
| 21. | Ensure that it supports the lifelong learning agenda through strategic partnerships with key stakeholder groups. | SQA | Short term |
| 22. | Take a customer focused approach to all activity and develop an organisation-wide customer management system. | SQA | Medium term |
| | GENERAL | | |
| 23. | Explore IIP status with the sponsoring division. | SQA/SEED | Medium term |
| 24. | Scottish Executive sponsor division to establish as a matter of urgency mechanisms to monitor SQA's compliance with the revised Management Statement and Financial Memorandum. | SEED | Short term |

MEMBERSHIP OF THE PFMR STEERING GROUP

Scottish Executive Education Department (The Sponsor Department)

Francesca Osowska (Chair),
Trudi Sharp,
Kenny McKenzie (Report author)

Scottish Executive Enterprise and Lifelong Learning Department

Colin Reeves/Gillian Crosier
Alistair Aitken, Martin Boyle, Andrew Perchard

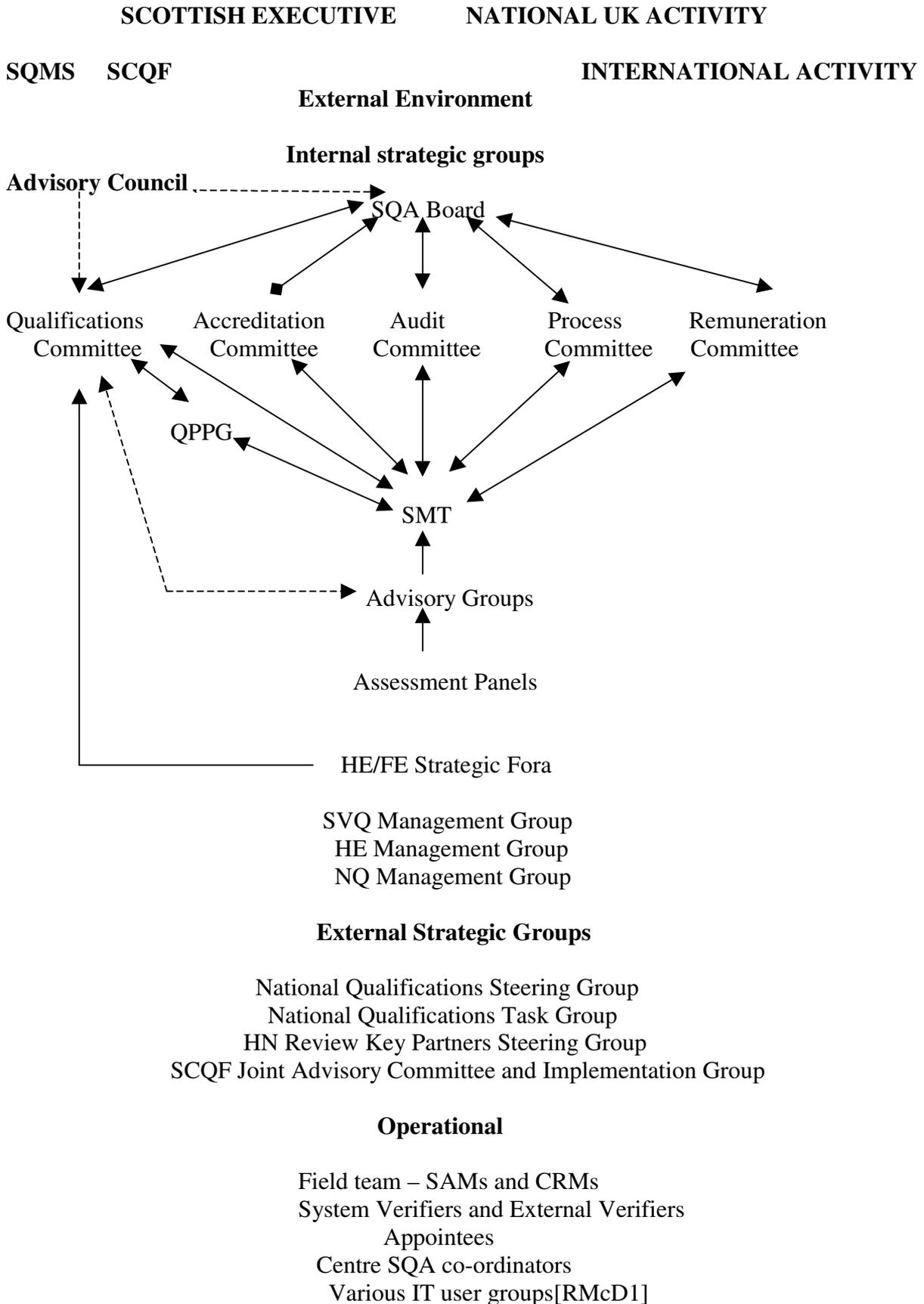
Scottish Executive Finance Education, Enterprise and Lifelong Learning

Riona Bell
Robert Clunie

Scottish Qualifications Authority

Brian Naylor
Malcolm Gaston
Amanda Cornish
Jean Blair

MAP OF SQA/STAKEHOLDER RELATIONSHIPS



Key Internal and External Strategic Groups

The SQA Board

Reconstituted according to the SQA Act 2002, this will consist of ten members, including the Chairman, Chief Executive, and a Board member with special knowledge of the interests of SQA staff.

Committees - the Board is supported by five Committees:

- Audit and Performance
- Remuneration
- Process
- Qualifications
- Accreditation

The Senior Management Team

The SMT meets every fortnight, addresses tactical management issues and gives the organisation strategic direction.

Qualifications Policy and Planning Group (QPPG)

An internal group that addresses strategic developments in relation to SQA's qualifications. It feeds into the Qualifications Committee.

Advisory Groups –19 groups

The remit of these groups is to take a strategic view of SQA qualifications and activities. They were set up soon after SQA's formation to provide a locus for the accountability of SQA to its stakeholders, to ensure SQA's responsiveness to users, and where deliverers and users of qualifications can participate in the work of SQA.

A recent review of the Advisory Groups indicated that while some were very successful, others were less so. The successful groups were founded on sectors which had always been successful at communicating, liaising, and networking. Other groups were founded on sectors which had fewer synergies. SQA will meet with the Advisory Groups to re-consider their roles and remits.

Sitting beneath these major strategic groups are a number of external and internal groups which feed them information and advice.

HE and FE Strategic Fora – these are not standing committees and their lifetime has not been decided, They were set up in 2001 to improve SQA's interaction with these stakeholder groups. There is no similar forum for the schools sector; at the time it was considered that the NQ Steering Group provided this locus for schools.

Management groups for each qualification block – these were set up to ensure 'joined up' thinking around the end-to-end processes with respect to delivering qualifications.

HN Review Key Partners Group – is responsible for overseeing the HN Review process. This involves examining the results of the consultations on the pilot studies of the new HN design rules and finalising the new HN design rules. HN Review Key Partners Group membership includes representatives from the Scottish Further Education Funding Council (SFEFC), the Association of Scottish Colleges (ASC), the Scottish Further Education Unit (SFEU), SQA and the Scottish Executive Enterprise and Lifelong Learning Department (SE ELLD).

SQA also interacts with, and has representation on, a number of external groups and partnerships, for example:

National Qualifications Steering Group (NQSG) - the NQSG monitors and reviews the implementation of the New National Qualifications Programme and the achievement of its overall aims. It also considers implementation issues and makes recommendations about steps to be taken nationally or locally to address them. NQSG membership includes representatives of schools, further education colleges, education authorities, Association of Scottish Colleges plus, Scottish Qualifications Authority (SQA), Learning and Teaching Scotland (LTS) and the Scottish Further Education Unit (SFEU). Philip Rycroft, Head of Schools Group in the SE Education Department, chairs the Group.

National Qualifications Task Group (NQTG) - the NQTG is responsible for taking forward the implementation of the recommendations set out in the National Qualifications Steering Group's report - "Review of Initial Implementation of new National Qualifications". The remit of NQTG is to co-ordinate the delivery of support for National Qualifications, to co-ordinate the implementation of the recommendations following from the review of implementation of National Qualifications; and to lead the consultation on more fundamental issues/option for change. NQTG membership includes representatives of schools, further education colleges, education authorities, Association of Scottish Colleges plus, Scottish Qualifications Authority (SQA), Learning and Teaching Scotland (LTS) and the Scottish Further Education Unit (SFEU). Francesca Osowska, Head of Qualifications, Assessment & Curriculum Division in the SE Education Department, chairs the Group.

Scottish Credit and Qualifications Framework (SCQF) - The SCQF is intended to make the Scottish qualifications system easier to understand for individuals involved in learning, employees, employers and education and training providers. The Framework comprises 12 levels covering all mainstream Scottish qualifications from National Qualifications, Scottish Vocational Qualifications to postgraduate qualifications. The SCQF is a joint initiative of The Scottish Qualifications Authority (SQA), Universities Scotland, the Quality Assurance Agency for Higher Education (QAA) and the Scottish Executive and is overseen by the Joint Advisory Committee (JAC) which is chaired by Dr Andrew Cubie. The strategy and timetable for integration of the framework is developed by the Implementation Group which is chaired by Heather Jones, Scottish Executive.

In addition, SQA also connects with its stakeholders through a number of routes:

Field teams – School Account Managers (SAMs), Customer Relations Managers (CRMs), Systems Verifiers and External Verifiers.

Centres – each centre has an SQA co-ordinator who is the main conduit for the centre's

communications with SQA, and it is also usual for centres to have a Management Information Systems Manager who deals with the transfer of data to and from SQA, and may attend one of the IT user groups.

Appointees – upwards of 20,000 individuals work with SQA to develop and deliver its qualifications.

IT user groups – these groups address day-to-day issues around the IS links between SQA and centres and involve stakeholders, SQA, and software suppliers.

Media – the media is an important and effective means of communication with the wider stakeholder constituency.

Consultancy and research – SQA consults regularly with its stakeholders and conducts on-going research into stakeholder perceptions of SQA and its qualifications.

ACTIVITIES ALREADY CARRIED OUT IN RESPONSE TO STAKEHOLDER FEEDBACK

Communication

- **SQANet** – while under a funding arrangement with the Scottish Executive’s Further and Adult Education Division colleges have enjoyed access to this facility for some time, it has been extended to selected schools, local authorities and Employer/Training Providers on a pilot basis.
- **SQA Website** – this year SQA has undertaken a significant consultation exercise with stakeholders to establish their requirements. The feedback has been used to inform the developments which are currently underway.
- **Customer Management System**– SQA is planning to develop its Helpdesk to become a comprehensive customer contact centre incorporating front line enquiries and complaints handling. This will form the basis of a customer management system.
- SQA has re-launched its corporate programme to include key events such as an **Annual Conference** and **Annual Awards**.

Candidates

- One of the issues identified post August 2000 was that SQA did not communicate effectively with candidates, particularly with respect to the examination diet. Communication was significantly improved in 2001, and in 2002 communication to candidates has been consolidated into key, but effective, pieces of communication – e.g. *Your Exams*, a leaflet explaining the examination procedure to candidates. The redesign of the communication was undertaken after consultation with candidates. It is intended to ensure that feedback/response mechanisms are built into all this sort of communication in the future.

Appointees

- Upwards of 20,000 individuals help SQA to develop and deliver its qualifications. Work is underway to engage more effectively with this group, and to provide appropriate support. One example of this is the Chief Invigilators’ conference.

Centres

- **Staff development** – a project is underway to examine how best to provide support for centres particularly in the understanding and implementation of the standards which support SQA qualifications.
- **Account Management** – in consultation with centres, a review project is examining the role and functions of the Customer Relations Managers and School Account Managers with the object of providing a better service to centres.

- **Business communication** – systems are being developed and implemented to ensure that centres receive better-targeted information and correspondence from SQA.
- **Service levels** – Service Level Agreements are being developed and piloted with college and ETP customers during 2002.

Employers and Training Providers (ETPs)

- In acknowledging that SQA required to refocus on this sector, it has developed an ETP strategy. Research into the perceptions of this sector suggest that while it still values SQA, it considered improvements in the areas of communication and service delivery essential to preserving good relationships with the sector. A series of ‘drop in’ events will be held throughout the country in October/November 2002.
- The newsletter for ETPs called “On Track” was relaunched in 2002.

Further Education

- SQA has also acknowledged it has to refocus on the FE sector. The secondment of an FE representative to the SQA Senior Management Team, improved liaison with key representative organisations such as the Association of Scottish Colleges, and the continued monitoring through the FE Strategic Forum has improved SQA’s responsiveness to this sector.

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