



# Annual Report and Accounts 2015–16

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# Welcome

We are delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2015–16, highlighting another successful year for the organisation. Important factors in this success have been partnership, engagement, and consultation — all of which have helped us deliver our many commitments to users and stakeholders, and to the people and economy of Scotland.

Underpinning these commitments is our support for the Scottish Government's objectives outlined in the National Performance framework. SQA remains committed to the continued development of qualifications, products and services that will empower and encourage learners to pursue opportunities to learn throughout life. Our qualifications are designed to reflect the breadth and depth of knowledge and skills that are essential for successful individuals, and that contribute to successful businesses and society as a whole.

We would like to thank staff, appointees, partners, users and stakeholders for your valuable contributions to our success over this year and we look forward to your ongoing support in the coming year and beyond.

# A: Performance Report

## Overview

### Statement from our Chief Executive

It has been another year of great achievement for the SQA in circumstances that are as challenging as they are rewarding.

One major ongoing responsibility has been our contribution to the development and implementation of Curriculum for Excellence through the provision of a wide range of qualifications and assessments to meet the diverse needs of all learners. During the development of each qualification we have consulted widely with practitioners and subject experts to create the qualifications that equip learners for the 21st century.

This year, SQA has worked with schools, colleges and other partners to continue to implement the new National Qualifications, with particular focus on the new Highers, which were introduced in session 2014–15 and the new Advanced Highers in session 2015–16. Our Understanding Standards programme provides ongoing support to schools, colleges and teaching staff across Scotland.

SQA has continued to engage strongly with the college sector, ensuring that we provide the support it requires as colleges continue to transform into multi-campus regional colleges. We have worked closely to understand the changing data management requirements and have provided support to help colleges understand the standards for the new National Qualifications with more colleges delivering the new Courses for the first time this year.

SQA qualifications and services continued to be in high demand, not only in Scotland but also in the rest of the UK and internationally, and we continue to deliver a wide range of contracts and consultancy projects.

As a customer-focused organisation, we are working to offer customers better service by delivering efficient, scalable and new enabling approaches through the use of technology to digitally transform our organisation. This work will ensure that SQA continues to deliver what learners will need in the future.

## **SQA's purpose and activities**

SQA is the national accreditation and awarding body in Scotland. The Education (Scotland) Act 1996 sets out SQA's functions and the governance arrangements to oversee SQA's distinct accreditation, regulatory and awarding functions. SQA is sponsored by the Scottish Government's Learning Directorate.

In its accreditation role, SQA accredits the vocational qualifications that are offered across Scotland, including Scottish Vocational Qualifications, and approves awarding bodies that wish to award them.

SQA is the statutory awarding body for qualifications in Scotland. Its duties are to develop, validate, quality assure and award a national framework of qualifications for Scotland. In addition, SQA has a statutory duty as the regulator for National Qualifications in Scotland as defined by the Education (Scotland) Act 1996 (as amended by the Scottish Qualifications Authority Act 2002).

As an awarding body, SQA works with schools, colleges, universities, industry, and government, to provide high-quality, flexible and relevant qualifications. It strives to ensure that its qualifications are inclusive and accessible to all, that they recognise the achievements of learners, and that they provide clear pathways to further learning or employment.

### **Qualifications**

Qualifications serve a range of important purposes in validating learning for individuals and for employers:

- ◆ They support the standards of achievement required by the economy, businesses, and society.
- ◆ They show the achievements of the individual.
- ◆ They provide a record of an individual's progression as they develop through life, allowing them to build on their prior learning.

To achieve this, SQA qualifications must:

- ◆ reflect the appropriate level of learning, and capture all aspects of the required skills
- ◆ be flexible enough to suit different learning styles and different employers' needs
- ◆ provide units of learning that are relevant, valued and can be used to benefit the individual, society and business
- ◆ allow for progression through lifelong learning as the needs of individuals, society and businesses change
- ◆ be of a quality and standard that ensures that value and credibility is maintained over time

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

SQA qualifications cover a broad range of skills and knowledge, from Languages, Mathematics, History, and Science, to Accounting, Early Years Childcare, Conservation of Masonry, and Customer Service. In addition, SQA develops Customised Awards that are tailored to the requirements of particular employers, and provides English Language qualifications for learners whose first language is not English.

Almost all young people in Scotland gain SQA qualifications in secondary school and/or in further education colleges. Increasingly, SQA provides qualifications from junior to professional levels in the workplace. SQA ensures that all qualifications are developed and maintained to the same rigorous high standards, and that they all make valuable and unique contributions to Scotland's Skills Strategy.

### **Accreditation**

SQA also has a responsibility, through its accreditation function, to set and maintain standards for awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications and other licence to practice qualifications. The accreditation function is a discrete and autonomous part of SQA, and is accountable to the Accreditation Committee and then to Scottish Government. The Accreditation Committee is a statutory committee having been established by the Education (Scotland) 1996 Act.

### **Ensuring SQA can deliver its objectives**

SQA continues to operate in a rapidly changing economic, political and commercial arena. SQA's corporate risk identification and evaluation considers the potential impacts on the organisation in the short, medium and longer term. An important part of SQA's corporate risk management approach is to put in place appropriate steps to mitigate or minimise the negative impacts of identified risks.

### **Key issues and risks**

SQA continues to operate in a rapidly changing economic, political and commercial arena. SQA's corporate risk identification and evaluation considers the potential impacts on the organisation in the short, medium and longer term. An important part of SQA's corporate risk management approach is to put in place appropriate steps to mitigate or minimise the negative impacts of identified risks.

### **The future**

The Corporate Plan 2016–19 sets SQA's strategic direction for the next three years, covering both SQA's accreditation and awarding functions. The plan has built on the approach taken in recent years, ensuring that the organisation's mission statement and strategic goals support the Scottish Government's National Outcomes.

SQA's purpose is to provide products and services in skills, training and education which positively impact on individuals, organisations and society.

SQA's vision is: 'We will digitally transform our organisation to offer customers better service by delivering efficient, scalable and new enabling approaches.'



## **Strategic goals**

SQA's strategic goals for 2016–19, which have been mapped to the Scottish Government's National Outcomes, are:

- 1 Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy.
- 2 Provide leadership and expertise in a range of areas including assessment, qualification development and quality enhancement.
- 3 Support the Scottish Government's agendas to maximise the benefits of international engagement and co-operation.
- 4 Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA.
- 5 Deliver high-quality, continually improving, efficient and responsive services to our customers.
- 6 Continue to develop SQA as a leading public body and key player in the skills, training and education landscape.
- 7 Continue to pursue a business model that would enable SQA to reduce its dependency on the public purse, and invest in and improve the education and skills system.
- 8 Independently accredit, quality assure and regulate approved awarding bodies and qualifications thereby safeguarding the interests of learners, employers, parents, funding bodies, providers and the Scottish Government.

## Performance summary

This section provides an 'at-a-glance' summary of SQA's performance over the year.

### Qualifications and services

- ◆ 142,862 NQ candidates across Scotland received their SQA results certificates.
- ◆ 128,833 Group Awards, 10,048 Ofqual qualifications and 94,758 Unit-only certificates were issued.
- ◆ All levels of Curriculum for Excellence are now live. SQA has supported the new Advanced Highers, alongside the existing levels, with published materials and Understanding Standards events.
- ◆ 333 qualification development projects were put in place, and the majority were completed on, or ahead of, schedule.
- ◆ All quality assurance activity planned for the year was completed on schedule.

### Leadership and expertise

- ◆ 98% of NQ examination responses went through our e-marking system.
- ◆ Two reviews of National Qualifications informed changes for 2016–17: The *National Course Design and Assessment* review, and the internal *Unit-based Assessment* review.
- ◆ An improved quality assurance process for Higher National Qualifications was implemented in August 2015.

### International engagement and co-operation

- ◆ Demand for Higher National Qualifications and Customised Awards has grown internationally.
- ◆ New centres have been established in other countries.
- ◆ The Higher National Articulation project — Diploma to Degree — has been successful.

### Services to our customers

- ◆ We have established an SQA Change Programme to govern all our business projects, overseen by the SQA Executive Team, to ensure we continue to improve the way we deliver our services and the support we provide.
- ◆ We have delivered efficiencies for centres by making some types of support available as webinars.
- ◆ As well as the increased use of e-marking, other aspects of the business are using new technologies, such as 'e-recruitment'.

### SQA as a public body

- ◆ In April 2015, SQA became a national corporate parent under the Children and Young People (Scotland) Act 2014.
- ◆ All requests for information under legislation were dealt with within the required timescales.

### Achieving self-financed status

- ◆ There was an increase in demand for SQA services and projects delivered for other organisations, institutions and government agencies. SQA was successful in tenders in the UK and internationally.

# Performance Analysis

## How SQA measures performance

The SQA's Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with ministerial guidance and approved by Scottish Government. It has been developed to align the organisation's activities with the Scottish Government's National Outcomes.

Progress towards SQA's Strategic Goals, which are set out in the Corporate Plan, is monitored and tracked. Quarterly performance reviews are undertaken across the business to review progress and address any issues that may arise. This performance is reviewed on a quarterly basis by the Audit Committee, and any matters of interest are then highlighted to the Board for their consideration.

Additionally, key areas of the business and performance to plan are reviewed at each SQA Board of Management meeting.

## Performance towards SQA's Strategic Goals

### **Strategic Goal 1: Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy**

SQA's portfolio of qualifications includes those qualifications that are undertaken in schools and colleges as well as those tailored to develop skills and knowledge in specific sectors such as Oil & Gas, Construction, Health and Social Care, and personal and professional development.

The area for which SQA is mostly known, however, is the annual certification of National Qualifications. This year Scotland saw the first learners achieving the new Higher qualifications developed under the Curriculum for Excellence, building on the successful certification of National 4 and National 5 qualifications in 2014. In 2015, the final year of dual running, both versions of qualifications were offered.

SQA delivered results certificates to 142,862 candidates across Scotland. The candidates have been rewarded for completing coursework, exams and Unit assessments throughout the academic year 2014–15 in a wide range of qualifications and subjects to suit all learners. This included Access, Intermediates, Nationals, new and existing Highers and Advanced Higher. In addition, there was an increase in the uptake of a broader range of Awards, Skills for Work, National Progression Awards and National Certificates.

SQA offers a wide range of qualifications that help young people progress on their individual learning journeys. These include:

- ◆ National Qualifications
- ◆ Awards
- ◆ Scottish Vocational Qualifications
- ◆ Higher National Qualifications

In the reporting period, we issued 128,833 Group Awards, 10,048 Ofqual qualifications and 94,758 Unit-only certificates.

Our new Guide to Scottish Qualifications contains further information on these qualifications and what they could lead to. You can download the guide from our website at [www.sqa.org.uk/qualsguide](http://www.sqa.org.uk/qualsguide).

### **Curriculum for excellence**

Given the scale of changes to qualifications, SQA has focused on providing information and support to employers, centres, teachers, learners and parents. SQA continued to issue weekly and monthly e-newsletters to communicate key changes, events, and new resources to support centres. Specific update information has also been provided throughout the year on significant topics as they arose.

At the end of 2015, SQA published Advanced Higher Exemplar Question Papers and further guidance to help teachers and lecturers prepare their learners for the Course assessments, and these built on the existing Advanced Higher past paper guidance.

Understanding Standards is the programme that was put in place to support the new qualifications, and this has received very positive feedback from teachers and lecturers. SQA has published materials to go alongside the Understanding Standards events for both Unit assessment and Course assessment. These give examples of candidate evidence for National 1 to Advanced Higher. Commentaries also explain why the evidence has, or has not, met the required standards to help teachers and lecturers in developing their understanding of the standards required for assessment.

From August 2015 to January 2016, SQA delivered 115 Understanding Standards events in support of the new Higher. These were attended by over 5,800 delegates. Additionally, as part of the quality assurance and verification process, 2,148 nominees from schools and colleges were trained to help deliver the SQA quality assurance and also, importantly, to support their colleagues across Scotland by disseminating their learning.

SQA's Liaison Team has visited schools, colleges and local authorities on over 700 occasions to support the implementation and delivery of the new qualifications. These events focused on illustrating the standards required for Higher Course Assessment. Following on from the events, the materials have been published on the Understanding Standards website.

SQA has continued to offer a local subject continuous professional development (CPD) service to assist teachers, schools and colleges with their understanding of the standards. In 2016, SQA delivered a further 70 events to support the introduction of the new qualifications, which were attended by around 2,842 delegates and 115 CPD events for 5,874 delegates.

### **Qualifications development**

SQA has put in place a range of mechanisms to gather feedback from centres and end-users of the qualifications to inform SQA's programme of work on the development of vocational qualifications.

We have gathered intelligence to inform the development and revision of vocational qualifications through a range of mechanisms, including:

- ◆ the network of customer liaison staff who have engaged on a regular basis with centres and employers
- ◆ strategic groups representing colleges, training providers, schools and local authorities
- ◆ employers through sector skills councils, industry bodies, trade bodies and professional bodies
- ◆ revisions to National Occupational standards have also been used in revising vocational qualifications
- ◆ issues that have arisen through the quality assurance of assessments within vocational qualifications have informed the revisions made

Development work has been overseen by Qualifications Support Teams for each vocational area. These teams have included practitioners from across the education and skills sector that deliver and assess the qualifications and end-users, including employers, industry/trade bodies, and further and higher education institutions.

SQA has again developed a range of new vocational qualifications resulting from the demands identified by customers and in response to new Scottish Government initiatives. This includes National Progression Awards, National Certificates, Skills for Work Courses, SVQs, HNCs, HNDs, PDAs and Customised Awards. SQA also worked closely with Skills Development Scotland and the sector skills councils to develop new Foundation Apprenticeships, as part of the broader 'Developing the Young Workforce' Programme.

In the past year SQA had 333 development projects to revise existing vocational qualifications or to put in place new vocational qualifications. The majority of these development projects were completed on schedule or ahead of forecast.

### **Quality assurance**

All quality assurance planned for academic year 2014–15 was completed, and reports highlighting verification key messages were published, on time. These key messages are published to assist teachers and lecturers with future assessment practice.

SQA and centres who deliver SQA qualifications have a shared responsibility for the quality assurance of internally-assessed elements of National Qualifications. SQA works in partnership with local authorities and schools and colleges, to support teachers and lecturers throughout the assessment cycle to ensure assessment standards are met.

In each subject area, all quality assurance activities are overseen by an expert team of appointees, who are teachers and lecturers with experience in assessment. Since the introduction of the National Qualifications, SQA has trained a nationwide network of nominees to support our verification activities each year. This is aimed at providing all nominees with comprehensive training and support to ensure a clear understanding of quality assurance that enables them to support the external verification process but also to enable them to share their understanding of standards with their colleagues.

These external verification activities are risk-based, taking into account centres delivering qualifications for the first time and their previous track record, with a proportion of sampling across other delivering centres.

For quality assurance of Higher Nationals and Vocational Qualifications (HN&VQ), SQA also applies a risk-based approach to external verification which reflects the experience and maturity of centres and focuses on new products being delivered for the first time.

The plans for quality assurance of all qualifications were approved by the Qualifications Committee and progress, and compliance with regulatory requirements is monitored and reported to the Audit Committee.

## **Strategic Goal 2: Provide leadership and expertise in a range of areas including assessment, qualification development and quality enhancement.**

### **Research, evaluate and apply approaches to qualifications development, assessment and quality assurance**

SQA is continuing to explore new applications of digital technology to support assessment of its qualifications. This includes approaches to the capture of candidate assessment responses and evidence in a digital format.

As part of our work with digital technology, we now have 98% of NQ examination responses going through our e-marking system.

### **SQA Awarding Body Code of Practice**

The SQA Awarding Body Code of Practice was published in June 2014. This revised framework is used by SQA to ensure the establishment and maintenance of standards over time for general and vocational qualifications.

A series of Thematic Reviews have been undertaken to inform and develop our refreshed research and evidence-based approach in the organisation. This has provided an opportunity to reflect on policy themes and areas, challenge assumptions, and explore alternative solutions and how the themes and areas may develop in the future. In particular, we will explore how the use of research, evidence and evaluation against external frameworks can support the requirements of the Code of Practice and further enhance SQA's practice as an awarding body.

### **National Qualifications**

SQA has a number of pieces of work underway to gather evidence to inform the review of the design of National Courses and their assessment.

The *National Course Design and Assessment* review took the Curriculum for Excellence Management Board's approved model for the new National Courses as its reference point.

The internal *Unit-based Assessment* review considered opportunities and challenges in SQA's long-standing use of criterion-referenced internally-assessed units across the different types of SQA qualifications.

Both reviews built on the work undertaken to date in the initial monitoring and evaluation and will consider a broad range of evidence obtained through various research methods. They were also informed by engagement with 42 schools, including focus groups, with learners, teachers, and school and college leaders. Further engagement work is planned with colleges, local authorities and parents.

The evidence from this work was presented to and reviewed by the Ministerial Group on Assessment and National Qualifications, and formed the basis of the changes that SQA will implement in session 2016–17. These actions and the research reports were published in May 2016.

### **Continually improve SQA performance against the Regulator's requirements**

SQA as an awarding body is approved to develop and deliver regulated qualifications, and works with the qualification regulators across the UK — Ofqual, Qualifications Wales and SQA Accreditation.

SQA's Qualifications Committee oversees SQA awarding body's compliance with the three qualifications regulators. It reviews the organisation's compliance statements and the action plans resulting from any audits or reviews conducted by these regulators. This work with the regulators is used by SQA as one of the ways we continue to enhance our practice as an awarding body.

### **Evaluate current approaches to qualifications assessment and quality assurance and apply lessons learned**

Following a review of the reporting process for quality assurance of Higher National Qualifications, an improved process was developed and implemented in August 2015. The revised process and guidance clarifies SQA's requirements of centres, with the aim of ensuring that our requirements are met first time.

SQA works in partnership with a range of stakeholders and hosts two quality networks with colleges and training providers. The purpose of the networks (Quality Focus Groups) is to explore and agree ways of improving and enhancing quality in the delivery of qualifications.

During the course of the year, the colleges confirmed that there was an ongoing need to provide a bespoke data management service (known as the Assessment Centre Update service). This service was introduced in session 2015 to facilitate data transfer on National Qualifications candidates from the merged colleges.

Verification of the quality systems in place within a centre is a vital component of the quality assurance process, and a new approach has been developed for re-engaging with colleges on systems verification. This strategy was based on extensive consultation with colleges, including a series of development visits and recent workshops undertaken at the SQA/College Quality Focus Group.

### **Strategic Goal 3: Support the Scottish Government's agendas to maximise the benefits of international engagement and co-operation**

SQA continues to support the Scottish Government's international and economic strategies. Building on its worldwide reputation for delivering high-quality qualifications and services, SQA carries out activities across a wide range of countries and regions — many of them in the Scottish Government's target countries. In delivering qualifications and services in the international arena, SQA has three main aims:

- a) to promote the development of learners
- b) to support capacity building and workforce development
- c) to play its part in upholding Scotland's status as a leader in education

The demand for SQA qualifications — particularly HNs and Customised Awards — continues to grow, and SQA has established new centres across a number of regions. The strong quality assurance model developed for each country has added to the high value placed on our qualifications by those delivering them and by the universities and employers who recruit students with SQA qualifications. This can also be seen through the success of the International HN Articulation Project — Diploma to Degree — where a large number of partnerships between SQA and international universities are in place to facilitate degree progression opportunities for successful international HN students.

Through work obtained through a competitive tendering process, SQA also continues to support national governments and their agencies in activities designed to enhance and improve education, skills and training. The main areas of work include: qualification framework development; setting of skills standards; qualification and assessment development; and institutional capacity building. As with our awarding activities, delivery of contracts takes place across the regions of the world.

SQA continues to host study visits from delegations from around the world. These have provided excellent opportunities to promote the Scottish education, skills and training system, and to promote Scotland as a place to live, study, work and do business. Study visits are often arranged in conjunction with the Scottish Qualification and Credit Framework Partnership and/or British Council, or may be as a result of direct requests from national governments and their agencies.

SQA works closely with Scottish Development International and universities in Scotland on international activities, as well as with wider organisations such as the British Council and United Kingdom Trade and Investment. SQA also works with, or carries out activities on behalf of, international bodies such as the World Bank and EU funding agencies.

#### **Strategic Goal 4: Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA**

A high level of employee engagement is widely acknowledged to be a powerful tool for driving improved performance. Whether or not the workforce is positively encouraged to perform at its best should be a prime consideration of every leader and manager, and this should be at the heart of the HR strategy. Against this background, SQA's HR strategy focused on four enablers which foster good employee engagement<sup>1</sup> and, ultimately, improve performance. These are: Leadership, Line Management, Employee Voice and Integrity.

##### **Leadership**

To align effort to the organisation's needs, SQA takes steps to ensure that staff have a clear understanding of its strategic goals and how their individual effort contributes to achieving these goals.

Plans are cascaded by senior management to all staff, and quarterly 'All Staff Briefings' allow the Chief Executive to present progress updates and key strategic messages. At a local level, the Chief Executive maintains a strong presence with staff, who are invited to

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<sup>1</sup> As outlined by Engaging for Success (more commonly known as the MacLeod Report):  
<http://engageforsuccess.org/engaging-for-success>



informal meetings where they are encouraged to speak openly about issues affecting their work.

### **Line Management**

SQA engages line managers to facilitate and empower staff and drive high standards of performance and delivery. To support line managers' skills development, SQA offers a comprehensive, modular line management programme with particular emphasis on new managers. This year 30 senior members of staff participated in the programme.

Twice each year, managers carry out Performance Management Reviews (PMRs) to ensure staff have clear objectives, receive regular performance feedback and have their development needs addressed.

Linked to the PMR cycle, Organisational Development staff meet with Directors/Heads of Service to develop an over-arching organisational development strategy that is designed to ensure that SQA has the skills and capabilities it needs to deliver high levels of performance in pursuit of its goals. Examples include one-to-one coaching, mindfulness training, Insights Team Development, and subject specific technical training.

### **Employee Voice**

Employees' views are sought in a variety of ways on an individual and collective basis.

The internal communications strategy has been designed to improve communications and engagement, with the intention of both informing staff and acting as a feedback mechanism, encouraging promotion of work activities and achievements.

A suggestion box encourages staff to submit ideas to improve process activity, environmental concerns and other issues which affect their working lives.

Two in-house newsletters, *Business Inform* and *Social Inform*, provide staff with a platform to share and contribute to corporate, business area and individual news.

On a collective level, the HR Team work closely with SQA's two recognised trade unions to develop policy, hear staff concerns and formulate appropriate solutions.

### **Integrity**

SQA has adopted the three values of 'Trusted, Progressive and Enabling', which reflect the desired culture and day-to-day behaviours required of all staff.

One powerful example of SQA's culture is the extent of Corporate Social Responsibility (CSR) activities throughout the organisation. This was clearly illustrated at the SQA Board Event in October 2015, which showcased the range of activities undertaken by SQA staff in support of colleagues, the community and the environment.

SQA has also received high profile recognition in a number of areas which support the philosophy of organisational integrity. These include:

- ◆ the Investors in Young People (IYYP) Award
- ◆ accreditation as a Scottish Living Wage Employer

- ◆ being awarded the Gold Healthy Working Lives Award for the eighth consecutive year
- ◆ re-accreditation under the 'Two Ticks' Disability Employment Scheme, which supports applications from people with disabilities

In February 2016, following feedback from the Staff Survey, a Dignity at Work Survey was undertaken, with 60% of staff responding, with positive scores up to 85%. This confirmed that the majority of staff feel very strongly that they are treated with dignity and respect by colleagues and management.

A new Dignity and Respect e-learning module was also made available to all staff to raise awareness of the ongoing need for dignity and respect in the workplace.

### **Strategic Goal 5: Deliver high-quality, continually improving, efficient and responsive services to our customers**

As both a development and a delivery organisation, it is essential that SQA is aware of the changing needs for our products and services, and that we continue to improve the way those services are provided to our customers. This involves improving the way in which we engage with our centres in all aspects of our work, whether it be providing qualifications themselves, ensuring efficient and effective two-way data transfer, or in providing support and guidance to centres and learners.

Close engagement with partners and stakeholders enables us to understand the direction that SQA can take to maintain quality and improve our service and product delivery.

#### **Customer Responsiveness**

As part of our ongoing commitment to improving our customer interactions, SQA is focusing on how we can improve the way in which we engage with centres, learners and other customers. We have established a single SQA Change Programme to govern all our business projects, which is overseen by a Programme Board made up of the SQA Executive Team, to ensure we continue to improve the way in which we deliver our services and the support we provide.

#### **New Ways of Working**

New approaches employed by SQA have generated savings in time and costs for centres. This has included delivering some professional development workshops (PDWs) using webinars to open access to PDWs to those who may not otherwise be able to travel to attend. Videos of webinars are then uploaded onto SQA's website as a resource for teachers and lecturers.

The organisation scaled up its e-marking and on-screen assessment delivery, particularly for the new qualifications for Curriculum for Excellence, and began work to explore and support quality assurance of digital evidence and digital capture of examination responses.

We continue to deliver year-on-year improvements, such as the introduction of our e-recruiter software, which has delivered significant benefits to our appointees, potential appointees and internal staff involved in the appointee recruitment and selection process. The new online system allows ease of advertising, application submission and processing. Since its introduction on 31 August 2015, 185 appointee opportunities have been advertised, generating 1,782 applications.

## **Process Improvements**

The Business Systems Division continues to work with the other business areas on continuous improvement of day-to-day operation, in support of our external customers and of the internal IT services. The introduction of our new Information Technology Information Library (ITIL) aligned Service Management tool set and standardisation of processes has enabled us to meet or exceed our service levels. Through a programme of continuous improvement, we continue to improve, stabilise and 'de-risk' our services, whilst at the same time improving the overall delivery of IT Services to our users and customers.

## **Support network events**

In 2015–16, SQA supported over 9,500 delegates across 357 events. These were a range of events supporting many subject areas.

- ◆ 77 Advanced Higher implementation events took place, attended by over 3,500 stakeholders.
- ◆ The CfE support team supported over 41 visits or events: SLA for customer satisfaction was achieved in 95.1% of these, exceeding the target of 95%.
- ◆ Almost 200 procedural events for August certification.
- ◆ Nominee and Understanding Standards events for National Courses.

In the period between April 2015 and March 2016, SQA has hosted a variety of events to support practitioners who are delivering National Qualifications.

## **Strategic Goal 6: Continue to develop SQA as a leading public body and key player in the skills, training and education landscape**

### **Role of SQA in training and education environment**

SQA has a crucial role to play in ensuring that the skills, training and education systems in Scotland are effective. To do this, the organisation works closely with other organisations in Scotland. In particular, it works in close partnership with both Education Scotland and the Scottish Government in implementing the National Qualifications.

SQA also engages with other stakeholders, such as the Association of Directors of Education in Scotland (ADES), colleges, the Convention of Scottish Local Authorities (COSLA), the Scottish Council of Independent Schools (SCIS), the School Leaders Scotland (SLS) and teaching unions to build confidence and trust in the new National Qualifications.

Working together with Colleges Scotland to continuously develop the national portfolio of qualifications is a key relationship in ensuring that Scotland's skills and knowledge-based qualifications remain world class.

### **SQA as a Corporate Parent**

In April 2015, SQA joined many other public bodies in Scotland to become a national corporate parent under the Children and Young People (Scotland) Act 2014.

As a corporate parent, SQA has a legal and moral duty to provide children who are looked after with the kind of support that any good parent would give their own children to ensure that all aspects of their development are nurtured. We are committed to meeting our corporate parenting responsibilities and improving outcomes for looked-after children. On 7

March 2016, SQA published its Corporate Parenting Plan. This Plan sets the framework within which we will work to improve the lives of Scotland's looked-after children and care-experienced young people.

### **SQA's Statutory Responsibilities**

SQA continues to ensure that it complies with all legislation relating to employment, corporate parenting, Freedom of Information, Data Protection, Complaints Handling, Records Management and Equalities. SQA continues to receive and respond to an increasing number of requests for information and personal data, which is a reflection of the environment in which we operate.

All requests for information under legislation were dealt with within the required timescales.

### **Records Management**

SQA's Records Management Plan was agreed by the Keeper of the Records of Scotland in August 2015. The implementation of the Plan will continue to be monitored, and the Plan itself will be reviewed on a regular basis.

The plan was submitted alongside a Records Management Improvement Plan, which the Keeper also agreed. This will now be implemented, with updates periodically provided to the Keeper.

### **Equalities**

SQA's Equality Mainstreaming Report 2013–15 was published in April 2015 and details progress towards our commitment to meet and exceed our obligations under the Public Sector Equality Duty (Specific Duties), both as an employer and as an awarding body.

In January 2016 SQA completed its annual equal pay audit, which confirmed that there were no equal pay issues.

In March 2016 a successful Equality, Diversity and Inclusion event was held offering staff the opportunity to attend a variety of presentations from a range of speakers including Stonewall, Capability Scotland, Who Cares? Scotland and the Scottish Transgender Alliance. Feedback from staff was very positive.

SQA continues to require suppliers to complete probity statements and includes equality policies when submitting tenders. Two contracts have recently been awarded to supported businesses — Edinburgh Braille School and Haven.

Equality and Inclusion training for the Qualifications Development Directorate staff is delivered through the Qualifications Development Integrated Staff Development Programme and focuses on the implications of the Equality Act to SQA as an awarding body.

Finally, substantial progress has been made by SQA Accreditation to mainstream equality into its existing practices and meet its commitments.

### **Strategic Goal 7: Continue to pursue a business model that would enable SQA to achieve self-financed status, and invest in and improve the education and skills system**

The SQA portfolio supports an extremely comprehensive qualification system aimed at supporting the people of Scotland across a broad range of academic and vocational sectors. Many of the qualifications and awards support key niche sectors for the economy and culture of Scotland and by their nature have low and very low uptake. As a result, the costs of development and delivery of these qualifications are not recovered through charges.

SQA generates its entry charges income by charging for the services it provides to schools, colleges and training providers. The prices charged for these services in Scotland are agreed with Scottish Ministers and have been held constant since 2010. The past year, 2015–16, is the third year of an arrangement made by Scottish Government with local authorities whereby SQA charges a fixed amount for the delivery of National Qualifications. This fixed charge does not fully cover the costs of delivery and additional grant is required from Scottish Government to address the short-fall.

Because of the nature of its work, SQA has the potential to generate other income through the provision of awarding services, consultancy work, and commercial contracts in markets outside Scotland. Taking advantage of these opportunities, SQA is committed to reduce its dependency on the public purse by generating surplus through its presence in competitive markets.

In addition, SQA continues to focus on efficient delivery by embedding a culture of efficiency across the organisation whilst ensuring that there is no reduction in outputs or quality of service experienced by customers. SQA has processes and procedures in place to identify both time-releasing and cash-releasing savings, although cash-releasing savings are becoming more challenging to identify.

Success was also evident from an increase in demand for SQA services and projects delivered on behalf of other organisations, institutions and government agencies. SQA was successful in a number of tenders in the UK and internationally.

SQA's international activities bring many benefits beyond the income they generate. These activities support the Scottish Government's international strategy; its plans to engage with specific countries; and the promotion of Scottish education and Scotland worldwide. The reputation of Scotland's education and training system is enhanced through the provision of a range of qualifications and the delivery of a number of consultancy projects. In addition, SQA's engagement with international partners, organisations and agencies ensures SQA continues to enhance its expertise and skills through mutual learning.

### **Strategic Goal 8: Independently accredit, quality assure and regulate approved awarding bodies and qualifications thereby safeguarding the interests of learners, employers, parents, funding bodies, providers and the Scottish Government**

SQA Accreditation continued to ensure that qualifications were available from a variety of awarding bodies to support the needs of the learners of Scotland, in particular those undertaking Modern Apprenticeships. SQA Accreditation carried out and completed 10 audits and 13 provider monitoring reports (24 provider monitoring visits in total) during 2015–

16. This compares with 18 audits and 22 provider monitoring reports completed during 2014–15 (65 provider monitoring visits in total).

One new organisation, the British Institute of Facilities Management, was approved as an awarding body in 2015–16, although there were enquiries from 16 organisations seeking information on how to become an approved awarding body.

At the end of 2015–16, SQA Accreditation had a total of 993 accredited qualifications<sup>2</sup>. This is made up of the following qualification types:

◆ Scottish Vocational Qualifications (SVQs)	657
◆ Regulatory and Licensing qualifications (R&L)	52
◆ Other qualifications (such as competence-based qualifications)	284

During 2015–16 SQA Accreditation developed an approach and transition plan to using only the Scottish Credit and Qualifications Framework (SCQF) level in Scottish Vocational Qualification (SVQ) titles. This is in line with the long-term strategy first communicated in 2010 and applicable now that there are a small (and reducing) number of SVQs still to be credit rated. From 1 September 2016 the SVQ level is to be dropped from qualification titles and only the SCQF level will be specified.

## Financial performance

### Financial overview

The results for the year to 31 March 2016 are contained in the attached accounts (see section C), which have been prepared in accordance with the 2015–16 *Government Financial Reporting Manual*.

A budget is agreed with Scottish Government (known as Departmental Expenditure Limit or DEL). This is to cover cash costs, being accrued expenditure (capital and operating) net of income from other sources such as income from activities, and non-cash cost of depreciation and impairments.

2015–16 was the third year (of three), of implementation of CfE and saw the introduction of the new Advanced Higher. This was another challenging year in financial terms, however SQA met its target with the operational outturn position being in line with the original budget. Total net expenditure of £27.4m, together with total grant funding income of £23.3m, resulted in a total deficit of £4.1m in 2015–16. Of this deficit, £3.4m relates to IAS 19 pension costs in excess of cash contributions. The balance, an operating deficit of £0.7m, includes a non-recurring cost of £1.4m, being the recognition of a bad debt provision.

### Income

SQA's income is generated from charging for the delivery of its products and services. Total income of £52.7m was earned in 2015–16, being entry charges £41.8m (2014–15 £41.6m) and other income £10.9m (2014–15 £9.0m).

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<sup>2</sup> Qualifications that have lapsed are not included.

## **Expenditure**

Operational costs were £79.1m, being staff costs £36.2m (2014–15: £34.2m); other expenditure £41.5m (2014–15: £38.0m); and depreciation £1.4m (2014–15: £2.1m).

The increase in staff costs is attributable to an increase in the costs of wages and salaries from the impact of the pay award, in line with Scottish Government pay policy, and an increase in headcount, to ensure successful delivery of the CfE programme and delivery of income-generating activity.

Other expenditure includes appointee related expenditure and other operating costs. 2015–16 saw an increase of £1.9m in appointee related expenditure which is attributable to the introduction of Advanced Highers in the year and the new exam structure overall which has resulted in increased marking time.

## **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the year totalled £1.073m which was primarily used to develop assets under construction (£1.061m).

## **Intangible assets**

Expenditure on capitalised intangible assets during the year totalled £0.227m. This was used to purchase licences (£0.060m) and IT software (£0.167m).

## **Auditors**

The accounts are audited by KPMG LLP, for the year ended 31 March 2016, who was appointed by the Auditor General for Scotland. Further details on audit remuneration can be found in note 4 to the Accounts.

## **Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## **Public Services Reform (Scotland) Act 2010**

Statements of expenditure for 2015–16 in relation to the following can be found on SQA's website:

- ♦ public relations
- ♦ overseas travel
- ♦ hospitality and entertainment
- ♦ external consultancy
- ♦ payments in excess of £25,000

## **Supplier payment policy**

SQA aims to pay suppliers within 10 days of receipt of a valid invoice and SQA achieved 97% in 2015–16.

# B: Accountability Report

## Corporate Governance

### Directors Report

#### Directors and their interests

The Directors who held office during the year and to the date of signing of these financial statements were:

#### Chairman

Graham Houston

#### Chief Executive

Dr Janet Brown

#### Non-Executive Board Members

Jim Edgar

Kenny McKay

Raymond O'Hare

Roger Stewart

Dr Paul Thomson

Susan Walsh

Carole Wilkinson

#### Executive Management Team

Jean Blair

Maidie Cahill

Stuart Davidson

Linda Ellison

John McMorris

Dr Gill Stewart

Information on salary and pension entitlements can be found in the Remuneration Report.

#### Conflict of interest procedures

SQA has comprehensive procedures for dealing with potential conflicts of interest. These include holding, and updating at least annually, registers of Board members' interests. These registers are available on our website to any member of the public who wishes to examine them. Interests that must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land and buildings, shares and securities, and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

#### Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2015–16, we had no reported personal data incidents.



**Dr Janet Brown**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**17 August 2016**



# Statement of the Accounting Officer's responsibilities

Under Section 16 of the Education (Scotland) Act 1966, the Scottish Ministers have directed SQA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of SQA and of its income and expenditure and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is 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 as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- ◆ prepare the accounts on a going-concern basis

The Scottish Ministers have appointed the Chief Executive as Accountable Officer of SQA. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the SQA's assets, are set out in the *Scottish Public Finance Manual* published by the Scottish Ministers.

## 2015–16 Governance statement

In this section, SQA's Chief Executive sets out her approach to, and responsibility for, risk management, internal control and corporate governance. It aims to give assurance that SQA's resources are appropriately managed and controlled, and provides an opportunity to highlight action being taken to improve SQA's internal control system.

### Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SQA'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.

The *Scottish Public Finance Manual* is issued by Scottish Ministers to provide guidance to the Scottish Government and other bodies on the proper handling and reporting of public funds. It sets out the statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

## **Purpose of the 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 ongoing 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 process within the organisation accords with guidance from Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts.

## **Governance and management structures**

SQA's Corporate Office continues to be responsible for ensuring that appropriate governance and management structures are in place as below to ensure the effectiveness of operations.

### **Sponsor department**

As Accountable Officer, I and members of the Executive Management Team meet regularly with Ministers and/or colleagues at the Scottish Government, to provide an update on the organisation's progress. These meetings include discussion of policy development, performance, risks and financial position. A representative of our sponsor department attends meetings of the Board of Management as an observer and copies of Board and Committee papers are forwarded to our sponsor department.

### **Board of Management**

The Board has collective responsibility for ensuring that SQA's statutory functions and the Scottish Government's policies and priorities are being fulfilled, and that the use of resources is appropriate and effective. The Board sets the strategic direction for the organisation through a robust process of review and approval of the Corporate Plan which is submitted to Scottish Ministers.

The Board is supported by a group of committees with specific remits who work together to deliver the objectives and policies of SQA: the SQA Accreditation Committee, the SQA Qualifications Committee, the SQA International and Commercial Committee, the SQA Audit Committee, and the SQA Remuneration Committee. In line with statute, the SQA Accreditation Committee and the SQA Advisory Council are directly responsible to Scottish Ministers. The Board receives verbal updates on the considerations and decisions reached at the meetings of these committees, along with copies of the minutes.

The Chairman of SQA's Board of Management undertakes annual appraisals with individual members of the Board. As part of the performance process, the Chairman and Board members also discuss and evaluate the performance of the Board and its committees in fulfilling their statutory functions. The Audit Committee provides the Board with an independent and objective review of corporate performance, risk management, and the effectiveness of the internal control system. In particular, the Audit Committee discussed

SQA's Corporate Risk Register quarterly. The Board discusses risk as part of its strategic focus on an annual basis and reviews the Corporate Risk Register at every meeting.

### **Internal audit**

Following an assessment of internal audit service requirements and discussions with senior management, a three-year strategic Process Improvement Plan for 2014–15 to 2016–17 was approved by our Audit Committee in May 2014. The three-year plan is subject to ongoing and annual review to ensure that it reflects changes in business requirements and takes account of any changes in SQA's risk profile. The specific reviews for 2015–16 were also approved by the Audit Committee in May 2015. The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes, and to monitor progress with the implementation of agreed actions to address areas for improvement. SQA is committed to continuous improvement and to the timely implementation of agreed audit actions.

In addition to the outsourced audit activity, SQA also has an in-house audit programme, operated by trained staff.

The in-house volunteers conduct audits relating to SQA's partial certification to ISO 27001 (Information Security) and ISO 9001 (Quality Management).<sup>3</sup>

### **Internal controls**

The Corporate Services and Finance Directorates support SQA Directors in their responsibility for ensuring that appropriate internal controls are applied within their directorates. Key controls include:

- ◆ a robust corporate planning and performance framework to ensure the economical and effective use of resources
- ◆ operation of an effective risk management framework
- ◆ compliance with applicable policies, procedures, laws and regulations
- ◆ safeguards against losses, including those arising from fraud, irregularity or corruption
- ◆ mechanisms to ensure the integrity and reliability of information and data.

### **Planning and performance framework**

The SQA Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with ministerial guidance. It has been developed to align with the Scottish Government's National Outcomes.

The organisation's business areas have prepared detailed operational plans, including financial plans, which underpin the published Corporate Plan. Directorate plans are in place to more clearly articulate the link from Corporate Plan to operational plan level.

Progress against Corporate Plan objectives is subject to review by the Audit Committee through Quarterly Performance Reports. The Audit Committee reviews progress and reports any matters of interest to the Board of Management for their consideration.

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<sup>3</sup> SQA has partial certification to ISO 27001 in the areas of Contract Services and ADD: NQ Assessment; and partial certification to ISO 9001 in the areas of Contract Services and Accreditation

## **Programme management**

SQA continues to review projects based on the overall business priorities. This is achieved by having a single approval process and governance framework. Resource and budget management are subsequently allocated based on this approach. This ensures that resources are focused on the correct business projects. The governance for the programme of projects rests with the Executive Management Team. This is also reported to Audit Committee and Board as part of the Quarterly Reporting Pack.

## **Risk management framework**

All bodies to which the Scottish Public Finance Manual (SPFM) is applicable must operate a risk management strategy in accordance with guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

SQA has a Board-approved risk management strategy and framework, which are subject to continued review by the Board, Audit Committee and our internal auditors. The framework is based on the Office of Government Commerce's Management of Risk (MoR) approach, which is regarded as best practice for the UK public sector.

Risks are identified, reported on and monitored according to this framework. Each quarter, the Management Team, Executive Management Team and Audit Committee review the register of strategic risks and mitigating action. There are operational risk registers within SQA business areas, projects and programmes. These risks are reviewed regularly by local managers and centrally to determine whether any need to be escalated to the Executive Management Team for inclusion in the Corporate Risk Register, which is in turn reviewed by the Audit Committee and escalated to the Board, if appropriate. This review process is informed by thresholds that identify a risk whose rating suggests that it would benefit from escalation for discussion at a higher tier of management.

In the first quarter of each year, SQA's Audit Committee undertakes a Strategic Risk Workshop to consider both existing and new risks that the organisation could face in the future. Any additional factors or risks are then incorporated into the Corporate Risk Register. During 2015–16 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure that we develop a sustainable funding model, and the criticality of SQA's role in working with partners to ensure successful delivery of Curriculum for Excellence.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. SQA has a full Business Continuity Management System validation programme that includes regular maintenance of plans, exercises and reviews.

Work continues with partner and stakeholder organisations to identify shared risks and solutions, and to ensure best value for resources in relation to business continuity.

## **Compliance with policies, procedures, laws and regulations**

SQA has in place structures that provide assurance that controls are in place and that these are regularly reviewed. In particular, there is a comprehensive policy register. Policies are assigned to policy holders and are reviewed and updated regularly.

The Executive Team seeks legal advice where appropriate to support the achievement of SQA's objectives in a manner that complies with legal requirements and the effective management of legal risk.

SQA has a dedicated Procurement Team, which advises SQA on procurement contract arrangements and provides guidance in terms of compliance with emerging changes to procurement rules from the European Union and Scottish Government. This provides a controlled and streamlined environment to support both compliance with relevant legislation and SQA's financial regulations.

### **Safeguards against losses**

SQA has a system of financial controls in place to promote the effective use of financial resources and to safeguard against loss. This includes a robust budgeting and forecasting process that is closely aligned to the corporate planning process, and supported by monthly management review of actual results. Regular reports on financial outturn are also provided to the sponsor department.

Controls are in place to ensure that financial transactions are authorised in line with the Scheme of Delegation. Duties for Finance staff are segregated, where possible, to ensure effective financial controls. Where segregation is not possible due to the size of the finance team, further controls are put in place to provide additional scrutiny.

An anti-fraud policy and fraud response plan are in place, ensuring that all SQA employees understand their responsibilities in this area, and that prompt action is taken in the event that fraudulent activity is suspected. During 2015–16 there was no reported incidence of fraud.

### **Integrity and reliability of information and data**

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. SQA has a reporting structure for information security incidents. During 2015–16 there were no reported personal data incidents.

SQA has an Information Security Policy in place. The purpose of this policy is to ensure the correct measures are in place to protect and secure all of SQA's information. This policy is circulated to staff using meta-compliance software to ensure that all staff read and understand the requirements of this policy. SQA repeated a roll-out of an online Protecting Information training programme to all staff to remind them of their responsibilities for handling information and keeping it safe.

Data sharing agreements are put in place where there is a need to share data with other organisations.

### **Efficiency, effectiveness and economy**

SQA is committed to ensuring that arrangements are in place that will lead to an economical, efficient and effective use of the organisation's resources. The efficiency agenda forms part of SQA's annual planning and budgeting process, and efficiency savings that are measurable and sustainable are identified, budgeted and monitored throughout the financial year. By continuing to embed a culture of efficiency, continuous improvement and best value across the organisation, SQA has planned to make savings that continue to support the

Scottish Government's efficiency agenda in this financial year. No reductions in outputs or quality of service are expected as a result of this.

### **Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- ◆ The senior management within the organisation, who have responsibility for the development and maintenance of the internal control framework.
- ◆ The work of the internal auditors, who submit regular reports to the SQA's Audit Committee which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement. Specifically, during 2015–16, I have considered the reviews Procurement and Tendering, Complaints Handling, Workforce Management, Quality Assurance in Different Markets, Marketing and Communications, IT Application Review – MySQA, Information Security, CBS Project Review, and ISO 27001 Controls, in addition to follow-up reviews to assess the extent to which management has implemented agreed audit actions.
- ◆ Comments made by the external auditors in their management letters and other reports.

I have been advised in my review of the effectiveness of the system of internal control by the Board and the Audit Committee.

I have concluded that the internal control system is operating effectively and that appropriate action plans are in place to address any weaknesses identified and to ensure the continuous improvement of the system.



**Dr Janet Brown**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**17 August 2016**

# Remuneration and Staff Report

## SQA's staff

SQA's Executive Team is responsible for the management of the business. The Chief Executive is appointed by a non-executive Board, subject to approval of Scottish Ministers. The Chief Executive's contract, as agreed with the Scottish Government, 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 a notice period of three months.

The remuneration for the Chief Executive is determined by SQA's Remuneration Committee in conjunction with the Scottish Government Pay Policy Unit.

The remuneration of other members of the Executive Team is determined by the organisation complying with Scottish Government pay policy and guidance to ensure affordability. The remuneration of all other members of staff is also determined by the organisation, in conjunction with the trade unions, complying with Scottish Government pay policy and guidance to ensure affordability.

## 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). As of 1 April 2015, both schemes are career average schemes. Employee contributions from 1 April 2015 are based on actual pay as at 1 April for both the LGPS and Scottish Teachers' Superannuation Scheme (see below). For 2015–16, employer's contributions of £4,209,643 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay; and 14.9% up to 31 August 2015 and 17.2% from 1 September 2015 for SPPA pensionable pay.

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

## Strathclyde Pension Fund contribution rates 2015–16

Pay tranche	Contribution rate paid on that tranche
Up to and including £20,500	5.50%
Above £20,500 and up to £25,000	7.25%
Above £25,000 and up to £34,400	8.50%
Above £34,400 and up to £45,800	9.50%
Above £45,800	12.00%

## Scottish Teachers' Superannuation Scheme contribution rates

Full-time equivalent pensionable pay	Contribution rate 2015–16
Up to and including £25,999	7.2%
£26,000 - £34,999	8.7%
£35,000 - £41,499	9.7%
£41,500 - £54,999	10.4%
£55,000 - £74,999	11.5%
£75,000 and above	11.9%

## SQA's Non-Executive Board

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

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 are set and reviewed annually by the Scottish Government (effective 1 April). The Chairman's level of remuneration is set and reviewed annually by the Scottish Government (effective 1 April).

## Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The Committee meets a minimum of once a year. The members of the Committee during 2015–16 were:

- ◆ Ms Carole Wilkinson (SQA Board Member and Convenor of the Remuneration Committee — appointed to Convener from 23 March 2016)
- ◆ Mr Graham Houston (SQA Chairman and Member of the Remuneration Committee — Convenor until 23 March 2016)
- ◆ Susan Walsh (SQA Board Member and Member of the Remuneration Committee)
- ◆ Dr Janet Brown (SQA Chief Executive and Officer of the Remuneration Committee)
- ◆ Ms Maidie Cahill (SQA Director and Officer of the Remuneration Committee)

## Disclosure of remuneration

The salary and pension entitlements earned during the year by SQA's senior staff in the roles noted are shown in the tables that follow.

This section of the Remuneration Report is subject to audit.



	2015-16				2014-15			
	Salaries and other payments	Benefits in kind <sup>1</sup>	Pension	Total	Salaries and other payments	Benefits in kind	Pension	Total
	£'000	£	£	£'000	£'000	£'000	£	£'000
<b>Chairman</b>								
Graham Houston	10-15	-	-	10-15	10-15	900 <sup>1</sup>	-	10-15
<b>Chief Executive</b>								
Dr Janet Brown	125-130	-	24,000	145-150	125-130	-	24,000	145-150
<b>Non-Executive Board Members</b>								
Jim Edgar	0-5	200 <sup>1</sup>	-	0-5	0-5	400 <sup>1</sup>	-	0-5
Kenny McKay	0-5	200 <sup>1</sup>	-	0-5	0-5	100 <sup>1</sup>	-	0-5
Raymond O'Hare	0-5	300 <sup>1</sup>	-	0-5	0-5	-	-	0-5
Roger Stewart	0-5	800 <sup>1</sup>	-	0-5	0-5	800 <sup>1</sup>	-	0-5
Dr Paul Thomson	0-5	400 <sup>1</sup>	-	0-5	0-5	400 <sup>1</sup>	-	0-5
Susan Walsh	0-5	300 <sup>1</sup>	-	0-5	0-5	300 <sup>1</sup>	-	0-5
Carole Wilkinson	0-5	100 <sup>1</sup>	-	0-5	0-5	200 <sup>1</sup>	-	0-5
<b>Directors</b>								
Jean Blair	80-85	-	16,000	95-100	40-45	-	8,000	45-50
Maidie Cahill	85-90	-	17,000	100-105	85-90	-	17,000	100-105
Stuart Davidson	85-90	-	16,000	95-100	80-85	-	16,000	95-100
Linda Ellison	65-70	-	-	65-70	65-70	-	-	65-70
John McMorris	85-90	-	17,000	95-100	85-90	-	16,000	95-100
Dr Gill Stewart	90-95	-	17,000	105-110	90-95	-	17,000	105-110
Band of Highest Paid Director's	125-130				125-130			
Total Remuneration								
Median Total Remuneration	27,101				26,214			
Ratio	4.7				4.9			

Median total remuneration is the remuneration of the employee that falls in the middle of SQA pay bands (excluding the highest paid employee). This is expressed as a ratio in comparison to the highest paid Director.

The total emolument of all Directors, non-executive Directors and the chair were £788,000 (2015: £791,000).

There were no bonuses paid in 2015-16.

<sup>1</sup> Benefits in kind are: Board Members receive reimbursement of the actual expenses they incur in travelling to SQA offices to attend Board of Management and other meetings, and to undertake Non-Executive Director responsibilities. Only actual travel costs incurred are reimbursed, however this is disclosed above as benefits in kind in accordance with the treatment required by HM Revenue and Customs.

The pension entitlements earned during the year by SQA's senior staff in the roles noted are as follows:

	Real increase in pension	Total accrued pension at 31 March 2016	Cash equivalent transfer value at 31 March 2015	Cash equivalent transfer value at 31 March 2016	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
<b>Chief Executive</b>					
Dr Janet Brown	0-2,500	15-20	618	689	68
<b>Directors</b>					
Jean Blair	0-2,500	0-5	328	447	117
Maidie Cahill	0-2,500	15-20	463	524	58
Stuart Davidson	0-2,500	0-5	21	45	24
John McMorris	0-2,500	5-10	119	143	23
Dr Gill Stewart	0-2,500	10-15	590	641	49

	Real increase in pension	Total accrued pension at 31 March 2015	Cash equivalent transfer value at 31 March 2014	Cash equivalent transfer value at 31 March 2015	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
<b>Chief Executive</b>					
Dr Janet Brown	0-2,500	15-20	559	618	59
<b>Directors</b>					
Jean Blair	0-2,500	0-5	261	328	67
Maidie Cahill	0-2,500	15-20	405	463	58
Stuart Davidson	0-2,500	0-5	2	21	19
John McMorris	0-2,500	5-10	99	119	20
Dr Gill Stewart	0-2,500	5-10	539	590	51

The Chief Executive and all of the Directors, with the exception of Linda Ellison are ordinary members of the Strathclyde Local Government Pension Scheme.

## Staff report

### Number of senior civil service staff (or equivalent) by band

Grade	Number of staff
Chief Executive	1
Director	6
Deputy Director	1
Head of Service	27
Grade 8	161

### Staff costs comprise

	Permanently employed staff	Others	2015-16 Total	2014-15 Total
	£'000	£'000	£'000	£'000
Wages and salaries	25,051	2,697	27,748	26,832
Social security costs	1,753	-	1,753	1,739
Other pension costs	6,767	-	6,767	5,670
Severance and compensation	-	-	-	-
<b>Sub-total</b>	<b>33,571</b>	<b>2,697</b>	<b>36,268</b>	<b>34,241</b>
Less recoveries in respect of outward secondments	(30)	-	(30)	(36)
<b>Total net costs</b>	<b>33,541</b>	<b>2,697</b>	<b>36,238</b>	<b>34,205</b>

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanent Staff	Others	2015-16 Total	2014-15 Total
Awarding and related activities	630	252	882	864
Accreditation	22	-	22	23
Scottish Survey of Literacy and Numeracy	6	4	10	7
<b>Total</b>	<b>658</b>	<b>256</b>	<b>914</b>	<b>894</b>

## Staff composition

Grade	Male	Female
Chief Executive	-	1
Director	2	4
Deputy Director	1	-
Head of Service	16	11
Grade 8	67	94
Other	228	434

## Sickness absence data

In 2015–16, sickness absence percentage was 4.30% and 9,654 days were lost due to sickness absence. In addition, 46% of absence was short term and 54% long term.

SQA is a recognised Two Ticks employer. We received recognition in July 2013.

This means that the organisation has made a commitment to:

- ◆ interview all disabled applicants who meet the minimum essential criteria for a job vacancy and consider them on their abilities
- ◆ ensure there is a mechanism in place to discuss with disabled employees at any time, but at least once a year, what can be done to make sure they can develop and use their abilities
- ◆ make every effort when employees become disabled to make sure they stay in employment
- ◆ take action to ensure that all employees develop the appropriate level of disability awareness needed to make these commitments work
- ◆ review the five commitments annually and what has been achieved, plan ways to improve on them and let employees and Jobcentre Plus know about progress and future plans

This also enables individuals to advise whether they require any assistance or additional support during the interview process.

SQA has a recruitment policy which sets out the policy and procedure to be followed to ensure a consistent approach to recruitment and that all appointments are consistent with SQA's obligations as an employer under current legislation and in accordance with current HR best practice.

A learning and development policy is also in place which sets out how SQA will provide development for all employees to support them in delivering their operational objectives and their career development.

SQA offers an occupational health service which provides staff with medical advice to support them in resolving any medical issues which are impacting on their work and career. This service is provided by an independent organisation and can be accessed through staff

self-referral on a confidential basis or by an HR referral if an individual is absent from work on a long-term or intermittent short-term basis. Occupational health will identify any assistance or modifications which may be necessary to help an employee to either return to work or continue to work effectively.

An attendance management policy is in place which includes SQA's approach to supporting employees during a period of sickness absence. This policy outlines SQA's duty to make reasonable adjustments to the workplace, workstation or working environment.

SQA also offers employees and their families an employee assistance programme through a confidential helpline which is open 365 days a year, 24 hours a day. Counselling is provided in a range of matters.

### **Expenditure on consultancy**

Expenditure on consultancy for the year ended 31 March 2016 was £350,000 (2015: £140,000). Further detail of expenditure on consultancy is disclosed in SQA'S Public Sector Reform (Scotland) Act 2010 information published in conjunction with the Annual Report and Accounts.

### **Exit packages**

There were no exit packages during 2015–16.

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

We have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2016 under the Education (Scotland) Act 1996. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our 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 the body's affairs as at 31 March 2016 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

In our opinion:

- ◆ the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers; and
- ◆ the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.



**Andrew Shaw, (for and on behalf of KPMG LLP)**

**Chartered Accountants**

**191 West George Street**

**Glasgow**

**G2 2LJ**

31 August 2016

# C: Accounts 2015–16

## Statement of comprehensive net expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Expenditure</b>			
Staff costs		36,238	34,205
Depreciation and amortisation charges	8(ii)	1,364	2,149
Other expenditure	4	41,496	37,986
		<hr/> 79,098	<hr/> 74,340
<b>Income</b>			
Entry charges	5	41,838	41,577
Other income	6	10,851	8,991
		<hr/> 52,689	<hr/> 50,568
<b>Net expenditure</b>		(26,409)	(23,772)
Interest payable	7	(961)	(721)
<b>Net expenditure after interest</b>		<hr/> (27,370)	<hr/> (24,493)

The notes on pages 40 to 63 form part of these accounts.



## Statement of financial position

as at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8(i)	4,328	4,061
Intangible assets	9	439	890
Financial assets	11	368	373
<b>Total non-current assets</b>		<b>5,135</b>	<b>5,324</b>
<b>Current assets</b>			
Trade and other receivables	12	23,653	23,846
Cash and cash equivalents	13	2,515	2,856
<b>Total current assets</b>		<b>26,168</b>	<b>26,702</b>
<b>Total assets</b>		<b>31,303</b>	<b>32,026</b>
<b>Current liabilities</b>			
Trade and other payables	14	(10,699)	(10,330)
<b>Total current liabilities</b>		<b>(10,699)</b>	<b>(10,330)</b>
<b>Non-current assets plus net current assets</b>		<b>20,604</b>	<b>21,696</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	15	(432)	(842)
Defined benefit liability	3	(16,114)	(28,331)
<b>Total non-current liabilities</b>		<b>(16,546)</b>	<b>(29,173)</b>
<b>Assets less liabilities</b>		<b>4,058</b>	<b>(7,477)</b>
<b>Taxpayers' equity</b>			
Revaluation reserves		67	72
General reserve		3,991	(7,549)
<b>Total taxpayers' equity</b>		<b>4,058</b>	<b>(7,477)</b>

The accounts were approved by the Board of Management on 17 August 2016 and were signed on its behalf by:



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

The notes on pages 40 to 63 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Cash flows from operating activities</b>			
Total comprehensive expenditure		(27,370)	(24,493)
<b>Adjustments for non-cash items</b>			
Depreciation and amortisation	8(ii)	1,364	2,149
Loss on disposal of property, plant and equipment		121	279
Notional Optima rent		1,548	1,538
<b>Movements in working capital</b>			
Decrease/(Increase) in trade and other receivables		192	(2,076)
Increase in trade and other payables		369	907
<b>Movements in provisions and long-term liabilities</b>			
(Decrease)/Increase of provisions		(394)	41
Decrease in defined benefit liability cost		3,399	2,283
<b>Net cash outflow from operating activities</b>		<u>(20,771)</u>	<u>(19,372)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,073)	(252)
Purchase of intangible assets		(227)	(201)
<b>Net cash outflow from investing activities</b>		<u>(1,300)</u>	<u>(453)</u>
<b>Cash flows from financing activities</b>			
Additional funding from Scottish Government	16	7,405	6,695
Government funding	16	13,315	13,162
Scottish Government capital funding	16	1,000	-
Other capital funding		10	-
<b>Net financing</b>		<u>21,730</u>	<u>19,857</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		(341)	32
<b>Cash and cash equivalents at the beginning of the period</b>		2,856	2,824
<b>Cash and cash equivalents at the end of the period</b>		<u>2,515</u>	<u>2,856</u>

The notes on pages 40 to 63 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2016

	Note	Revaluation Reserves £'000	General Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2014</b>		79	6,094	6,173
<b>Changes in taxpayers' equity for 2014-15</b>				
Net (loss) on revaluation of investments	11(i)	(7)	-	(7)
Actuarial (loss)	3	-	(10,561)	(10,561)
Unfunded benefits paid	15(i)	-	16	16
Net expenditure after interest		-	(24,493)	(24,493)
Total recognised income and expense for 2014-15		(7)	(35,038)	(35,045)
Scottish Government funding	16	-	21,395	21,395
<b>Balance at 31 March 2015</b>		72	(7,549)	(7,477)
<b>Changes in taxpayers' equity for 2015-16</b>				
Net (loss) on revaluation of investments	11(i)	(5)	-	(5)
Actuarial gain	3	-	15,616	15,616
Unfunded benefits paid	15(i)	-	16	16
Other Capital funding			10	10
Net expenditure after interest		-	(27,370)	(27,370)
Total recognised income and expense for 2015-16		(5)	(11,728)	(11,733)
Scottish Government funding	16	-	23,268	23,268
<b>Balance at 31 March 2016</b>		67	3,991	4,058

The notes on pages 40 to 63 form part of these accounts.

# Notes to the accounts

## 1 Statement of accounting policies

These accounts have been prepared in accordance with the 2015–16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies set out in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2015–16 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of non-current assets and, where material, current asset investments to fair value as determined by the relevant accounting standard.

### 1.2 Going concern

The Board of SQA has no reason to believe that the department's future sponsorship and future ministerial approval will not be forthcoming or will only provide a reduced support to SQA. Given the above it has accordingly been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

### 1.3 Property, plant and equipment

Leasehold building improvements (LBIs) represent the fit-out costs for the Optima Building, Glasgow and Lowden, Dalkeith, of which SQA is tenant. Depreciated historic cost has been used as a proxy for the current value as LBIs comprise lots of individual items of relatively low value in comparison to the overall total. The depreciation charge is thought to provide a realistic reflection of consumption.

Depreciated historic cost has also been used as a proxy for the current value of information technology, motor vehicles, plant and machinery, and furniture and fittings. All of the assets in these categories have:

- 1 low values and/or short useful economic lives which realistically reflect the life of the asset; and
- 2 a depreciation charge which provides a realistic reflection of consumption.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to SQA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive net expenditure during the financial year in which they are incurred.

Property, plant and equipment are subject to annual impairment reviews.

The threshold for capitalising assets is £3,000.

## **1.4 Depreciation**

Depreciation is provided on property, plant and equipment on a straight-line basis at rates sufficient to write down their cost, less estimated residual value, over their estimated useful lives. The depreciation periods for the principal categories of assets are:

Leasehold building improvements	Over the term of the lease
Information technology	3 years
Motor vehicles	4 years
Plant and machinery	4–7 years
Furniture and fittings	4–7 years

Assets in the course of construction are not depreciated until the asset is brought into use.

## **1.5 Intangible assets**

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

Where an active market does not exist, income-generating assets are valued at the lower of depreciated replacement cost and value in use. Non-income-generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 'Intangible Assets' where assets do not generate income. IAS 38 defines future economic benefit as revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity.

Intangible assets are amortised on a straight-line basis at rates sufficient to write down their cost, less estimated residual value, over their estimated useful lives. The amortisation periods for categories of intangible assets are:

Software	3 years
Web costs	3 years
Licences	3 years unless the licence term specifies otherwise

## **1.6 Investments**

Investments in stocks and shares are stated at market value. Revaluation gains are taken to the revaluation reserve in the Statement of financial position. Revaluation losses are taken to the revaluation reserve to the extent to which they reverse previously recognised gains and thereafter to the Statement of comprehensive net expenditure.

## **1.7 Income recognition**

Income from entry charges is derived from three types of core award, namely National Qualifications, Higher National Qualifications and Vocational Qualifications.

For Nationals 1–5, new Higher and new Advanced Higher qualifications, income is recognised based on the level of service provision that has been delivered by 31 March in the academic year.

For previous Access, Intermediate, Higher and Advanced Higher qualifications, the proportion of income recognised is based on the level of internal verification that has taken place by 31 March in the academic year.

Income from HN and VQ entries is spread over the duration it takes the candidate to complete the group award.

Income from units that are not attached to a course or group award is recognised in the month of entry.

## **1.8 Foreign exchange**

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 Statement of financial position date. Any gain or loss arising on the restatement of such balances is taken to the Statement of comprehensive net expenditure.

## **1.9 Leases**

Rentals payable in respect of operating leases are charged to the Statement of comprehensive net expenditure on a straight-line basis over the term of the lease.

There are no assets held under finance leases.

## **1.10 Financial instruments**

Financial instruments are recognised in the Statement of financial position when an obligation is identified and released as that obligation is fulfilled. Cash, debtors and creditors are held at cost. Measurement of investments is discussed above (see note 1.6).

As SQA's income is derived mainly from public sector organisations, it is not subject to any significant liquidity risk exposure. Any cash held on deposit is with highly rated banks and there is no significant interest rate risk. SQA operates two bank accounts denominated in foreign currencies (Euro and US Dollar). Both of these are reconciled on a monthly basis, whereupon any gains or losses on their translation to GBP are taken to the Statement of comprehensive net expenditure. Due to the low value of balances held in these accounts there is no significant currency risk to SQA.

SQA undertakes a number of contracts on behalf of UK and overseas customers. Whilst the majority of these contracts are with other government organisations, SQA's exposure to credit risk is increased due to the value of some of these contracts.

### **1.11 Grants receivable**

Government grants of both a revenue and capital nature are credited to the general reserve in the year to which they relate.

### **1.12 Provisions**

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

Other provisions for liabilities and charges are recognised in accordance with the criteria and measurement bases of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

### **1.13 Taxation**

SQA is eligible under s505 of the Income and Corporation Taxes Act 1988 to seek, from HMRC, exemption from taxes on income arising from the pursuit of its charitable objectives.

SQA suffers withholding tax on income earned from overseas activities.

### **1.14 VAT**

Income is accounted for net of value added tax. Expenditure is shown net of value added tax where the tax is recoverable.

### **1.15 Pensions**

All eligible employees are entitled to membership of the Local Government Pension Scheme (LGPS). Existing employees who are already members of the Scottish Government Teachers' Superannuation Scheme (STSS) are entitled to maintain their membership of that scheme. Employer's contributions to the STSS are accounted for as they fall due. Employer's contributions to the LGPS are accounted for under the requirements of IAS 19 'Employee Benefits' (see note 3).

### **1.16 Changes in estimation techniques**

There have been no material changes in estimation techniques.

### **1.17 Impending application of newly issued accounting standards not yet effective**

SQA provides disclosure on the following standards that are impending but have not yet been applied.

IFRS 15 Revenue from Contracts with Customers — specifies how and when revenue is recognised, using a principles-based five-step model. This will be effective in 2017 if adopted by the European Union and may have an impact on the timing of recognition of SQA's revenue.

IFRS 9 Financial Instruments — simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective in 2018/19, if adopted by the European Union.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of SQA in future periods.



## **2 Analysis of net expenditure by segment**

SQA's operations are currently organised into the following operating divisions:

### **Awarding and related activities**

SQA's principal activity is awarding, maintaining and developing qualifications within the Scottish Credit and Qualifications Framework. The levels of entry charges for Scotland are agreed by the Scottish ministers each year. Grant funding may be available for development work within this service block.

### **Accreditation activities**

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

### **Scottish Survey of Literacy and Numeracy**

The Scottish Survey of Literacy and Numeracy (SSLN) is funded by the Scottish Government. 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.

These divisions are the basis on which SQA monitors its operations and upon which decisions are made by the Board.

	<b>Awarding and related activities £'000</b>	<b>Accreditation £'000</b>	<b>SSLN £'000</b>	<b>Total £'000</b>
<b>2015-16</b>				
Staff costs	34,832	930	476	36,238
Depreciation	1,364	-	-	1,364
Other expenditure	41,203	100	193	41,496
<b>Total expenditure</b>	<b>77,399</b>	<b>1,030</b>	<b>669</b>	<b>79,098</b>
Entry charges	41,838	-	-	41,838
Other income	10,851	-	-	10,851
Other capital funding	10	-	-	10
Scottish Government funding	21,561	1,025	682	23,268
	<b>74,260</b>	<b>1,025</b>	<b>682</b>	<b>75,967</b>
Funding credited to reserves	(21,571)	(1,025)	(682)	(23,278)
<b>Total income</b>	<b>52,689</b>	<b>-</b>	<b>-</b>	<b>52,689</b>
<b>Net expenditure</b>	<b>(24,710)</b>	<b>(1,030)</b>	<b>(669)</b>	<b>(26,409)</b>
<b>2014-15</b>				
Staff costs	32,784	959	462	34,205
Depreciation	2,149	-	-	2,149
Other expenditure	37,585	104	297	37,986
<b>Total expenditure</b>	<b>72,518</b>	<b>1,063</b>	<b>759</b>	<b>74,340</b>
Entry charges	41,577	-	-	41,577
Other income	8,991	-	-	8,991
Scottish Government funding	19,558	1,063	774	21,395
	<b>70,126</b>	<b>1,063</b>	<b>774</b>	<b>71,963</b>
Funding credited to reserves	(19,558)	(1,063)	(774)	(21,395)
<b>Total income</b>	<b>50,568</b>	<b>-</b>	<b>-</b>	<b>50,568</b>
<b>Net expenditure</b>	<b>(21,950)</b>	<b>(1,063)</b>	<b>(759)</b>	<b>(23,772)</b>

SQA's awarding and related activities are carried out across the UK and internationally. The chart of accounts and customer hierarchy does not enable the reporting of operating segments by SQA customers' geographical location at this time.

### 3 Pension costs

The Local Government Pension Scheme (LGPS) is a group defined benefit scheme. Responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The fund is administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The Scottish Teachers Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit scheme covering teachers and related occupations and is the responsibility of the Scottish Public Pensions Agency. These arrangements comply with the guidance contained in *Non-Departmental Public Bodies: A Guide for Departments*.

As of 1 April 2015, both schemes are career average schemes. Contributions during the year totalled £4,209,000 (2015: £4,070,000), consisting of £4,121,000 (2015: £3,978,000) to the LGPS Scheme and £88,000 (2015: £92,000) to the STSS Scheme. Included within other payables (note 15) are outstanding contributions of £471,000 (2015: £453,000) due to the LGPS Scheme and £nil (2015: £nil) due to the STSS Scheme at 31 March 2016. In 2016–17 total contributions to LGPS are expected to be £5,686,000.

Actuarial valuations for both schemes are prepared, with the last LGPS valuation to 2014 and the last STSS valuation being to 31 March 2012. Details of these valuations can be obtained from published reports.

The STSS is an unfunded multi-employer defined benefit scheme. Accounting treatment under International Accounting Standard 19 (IAS 19) allows SQA to account for the pension plan as a defined contribution scheme. The last audited full actuarial and funding valuation was carried out at 31 March 2012. SQA is unable to identify separately its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue. SQA has no liability for other employers' obligations to the multi-employer scheme.

The SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 of 19.3% of pay until 31 March 2016. The STSS has set rates at 14.9% for 2012–13, 2013–14, 2014–15 and for the first 6 months of 2015–16, then changing to 17.2% for the remainder of the year.

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

The amounts recognised in the Statement of comprehensive net expenditure are as follows:

	2015-16 £'000	2014-15 £'000
Current service cost	6,688	5,559
Interest on obligation	4,626	4,940
Expected return on plan assets	(3,681)	(4,241)
	<u>7,633</u>	<u>6,258</u>

The net expense is recognised in the following line items in the Statement of comprehensive net expenditure:

Staff costs	6,688	5,559
Interest payable	945	699
	<u>7,633</u>	<u>6,258</u>

The amounts recognised in the Statement of financial position are as follows:

	2015-16 £'000	2014-15 £'000
Present value of funded obligations	(135,540)	(141,400)
Fair value of employer assets	119,697	113,366
	<u>(15,843)</u>	<u>(28,034)</u>
Net (under) funding in funded plans	(271)	(297)
Present value of unfunded obligations		
	<u>(16,114)</u>	<u>(28,331)</u>
<b>Net (liability)</b>		
Amounts in the Statement of financial position:		
Defined benefit liability	(16,114)	(28,331)
	<u>(16,114)</u>	<u>(28,331)</u>
<b>Net (liability)</b>		

	31 March 2016 £'000	31 March 2015 £'000
<b>Movement in present value of defined benefit obligation</b>		
Opening defined benefit obligation	141,697	112,815
Current service cost	6,688	5,559
Interest cost	4,626	4,940
Actuarial loss from change in demographic assumptions	-	4,145
Actuarial (gain)/loss from change in financial assumptions	(15,100)	15,838
Other experience gains	(1,205)	(399)
Contributions by members	1,417	1,331
Benefits paid	(2,312)	(2,532)
<b>Closing defined benefit obligation</b>	<u>135,811</u>	<u>141,697</u>

	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>
<b>Movement in fair value of plan assets</b>		
Opening fair value of plan assets	113,366	97,328
Expected return on plan assets	(689)	9,023
Interest income on plan assets	3,681	4,241
Contributions by employer	4,218	3,959
Contributions by members	1,417	1,331
Contributions in respect of unfunded benefits	16	16
Benefits paid	(2,312)	(2,532)
<b>Closing fair value of plan assets</b>	<b>119,697</b>	<b>113,366</b>

The major categories of the plan assets and their fair values were as follows:

	<b>31 March 2016</b>				<b>31 March 2015</b>			
	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices not quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices not quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>
Equity Securities	43,548	94	43,642	37	41,560	85	41,645	37
Debt Securities	-	-	-	-	-	1	1	-
Private Equity	-	11,643	11,643	10	-	11,031	11,031	10
Real Estate	-	12,859	12,859	11	-	10,357	10,357	9
Investment funds and unit trusts	1,082	46,317	47,399	39	1,235	46,276	47,511	42
Derivatives	29	-	29	-	35	-	35	-
Cash and cash equivalents	3,997	128	4,125	3	-	2,786	2,786	2
<b>Total</b>	<b>48,656</b>	<b>71,041</b>	<b>119,697</b>	<b>100</b>	<b>42,830</b>	<b>70,536</b>	<b>113,366</b>	<b>100</b>

The amounts recognised in the Statement of changes in taxpayers' equity are as follows:

	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Actuarial gain/(loss) arising on the defined benefit obligation	16,305	(19,584)
Actuarial (loss)/gain arising on the fair value of the plan assets	(689)	9,023
<b>Actuarial gain/(loss) recognised in the Statement of changes in taxpayers' equity</b>	<b>15,616</b>	<b>(10,561)</b>

Principal actuarial assumptions, expressed as weighted averages, are as follows:

	%	%
Pension Increase Rate	2.2	2.4
Salary Increase Rate	4.2	4.3
Discount Rate	3.5	3.2

The assumptions relating to longevity underlying retirement benefit obligations at the Statement of financial position date are based on a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2016:	Approximate % Increase to Employer	Approximate monetary amount
0.5% decrease in Real Discount Rate	12%	16,395
1 year increase in member life expectancy	3%	4,074
0.5% increase in the Salary Increase Rate	5%	6,285
0.5% increase in the Pension Increase Rate	7%	9,741

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The discount rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate is then set based on SQA's weighted average duration of 20.5 years.

The salary increase assumption is 1% p.a. until 31 March 2016, reverting to RPI plus 1.0% p.a. thereafter, plus an allowance for promotional increases. This takes into account the Government's public sector pay restraints (originally announced in June 2010 and extended according to the November 2011 announcement).

The pension increase assumption is in line with the Consumer Prices Index (CPI). The CPI assumption is calculated as RPI less 0.9% p.a.

## 4 Other expenditures

	2015-16	2014-15
£'000	£'000	£'000
Appointee fees	13,279	11,374
Property expenses	5,023	5,124
IT costs	4,057	3,223
Business development specialists' fees and expenses	3,761	4,005
Appointee expenses and related costs	2,690	2,548
Assessment stationery and certificates	2,368	1,582
Staff travel	1,061	1,183
Staff subsistence	458	291
Staff training	301	418
Miscellaneous staff costs	241	324
Catering for internal and examination procedures meetings	53	43
Staff related costs	2,114	2,259
PR, marketing and publications	1,878	2,178
Appointee release compensation	1,840	2,020
Miscellaneous	1,768	859
Postage and telephone	1,637	1,712
Equipment and supplies	606	707
Question paper production and printing	463	388
Board and committee expenses	12	7
	<u>41,496</u>	<u>37,986</u>

Included within property expenses is a notional charge of £1,548,000 (2015: £1,538,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within miscellaneous is £44,589 (2014: £44,592) relating to external audit fees, SQA also incurred expenditure of £5,000 (2015: £nil) relating to audit fees for branch accounts and £65,612 (2015: £46,807) relating to internal audit fees.

Included within business development specialists' fees and expenses is £35,071 (2015: £24,000) relating to non-audit fees paid to KPMG.

## 5 Entry charges

	2015-16 £'000	2014-15 £'000
National Qualifications:		
National courses and units	32,291	32,424
Post-results Services	291	187
	<hr/> 32,582	<hr/> 32,611
Higher National Qualifications	5,748	5,664
Scottish Vocational Qualifications	3,508	3,302
	<hr/> 41,838	<hr/> 41,577

## 6 Other income

Commercial testing services	4,547	4,682
Consultancy, secondments and research	4,264	2,253
Streetworks Qualifications Register	940	932
Customised award charges	347	318
Miscellaneous income	342	410
Replacement certificate charges	245	233
Royalty income	125	108
Other interest income	14	7
Sale of publications	13	30
Income from investments for unfunded pensions	7	7
Commercial events	7	11
	<hr/> 10,851	<hr/> 8,991

## 7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(16)	(22)
Pension provision cost (note 3)	(945)	(699)
	<hr/> (961)	<hr/> (721)



## 8 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>							
At 1 April 2015	5,810	3,715	82	505	37	469	10,618
Additions	-	-	12	-	-	1,061	1,073
Reclassifications	-	-	-	-	-	(78)	(78)
Disposals	-	-	-	-	-	(120)	(120)
<b>At 31 March 2016</b>	<b>5,810</b>	<b>3,715</b>	<b>94</b>	<b>505</b>	<b>37</b>	<b>1,332</b>	<b>11,493</b>
<b>Depreciation</b>							
At 1 April 2015	2,504	3,494	66	462	31	-	6,557
Charged in year	388	179	7	28	6	-	608
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>2,892</b>	<b>3,673</b>	<b>73</b>	<b>490</b>	<b>37</b>	<b>-</b>	<b>7,165</b>
<b>Net book value</b>							
<b>At 31 March 2016</b>	<b>2,918</b>	<b>42</b>	<b>21</b>	<b>15</b>	<b>-</b>	<b>1,332</b>	<b>4,328</b>
<b>At 31 March 2015</b>	<b>3,306</b>	<b>221</b>	<b>16</b>	<b>43</b>	<b>6</b>	<b>469</b>	<b>4,061</b>
<b>Asset financing:</b>							
Owned	2,918	42	21	15	-	1,332	4,328
Finance lease	-	-	-	-	-	-	-
<b>Net book value at 31 March 2016</b>	<b>2,918</b>	<b>42</b>	<b>21</b>	<b>15</b>	<b>-</b>	<b>1,332</b>	<b>4,328</b>
<b>Capital Additions Financing:</b>							
Government grant	-	-	-	-	-	1,000	1,000
Core budget	-	-	2	-	-	61	63
Other capital funding	-	-	10	-	-	-	10
	-	-	12	-	-	1,061	1,073

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>							
At 1 April 2014	5,810	4,437	94	631	37	739	11,748
Additions	-	26	-	12	-	214	252
Reclassifications	-	-	-	-	-	(205)	(205)
Disposals	-	(748)	(12)	(138)	-	(279)	(1,177)
<b>At 31 March 2015</b>	<b>5,810</b>	<b>3,715</b>	<b>82</b>	<b>505</b>	<b>37</b>	<b>469</b>	<b>10,618</b>
<b>Depreciation</b>							
At 1 April 2014	2,116	4,019	72	495	22	-	6,724
Charged in year	388	223	6	105	9	-	731
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(748)	(12)	(138)	-	-	(898)
<b>At 31 March 2015</b>	<b>2,504</b>	<b>3,494</b>	<b>66</b>	<b>462</b>	<b>31</b>	<b>-</b>	<b>6,557</b>
<b>Net book value</b>							
<b>At 31 March 2015</b>	<b>3,306</b>	<b>221</b>	<b>16</b>	<b>43</b>	<b>6</b>	<b>469</b>	<b>4,061</b>
<b>At 31 March 2014</b>	<b>3,694</b>	<b>418</b>	<b>22</b>	<b>136</b>	<b>15</b>	<b>739</b>	<b>5,024</b>
<b>Asset financing:</b>							
Owned	3,306	221	16	43	6	469	4,061
Finance lease	-	-	-	-	-	-	-
<b>Net book value at 31 March 2015</b>	<b>3,306</b>	<b>221</b>	<b>16</b>	<b>43</b>	<b>6</b>	<b>469</b>	<b>4,061</b>
<b>Capital Additions Financing:</b>							
Government grant	-	-	-	-	-	-	-
Core budget	-	26	-	12	-	214	252
Other capital funding	-	-	-	-	-	-	-
	-	26	-	12	-	214	252

(ii) Depreciation and amortisation charges

	<b>Note</b>	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Depreciation charge for the year	8(i)	608	731
Amortisation charge for the year	9	756	1,418
<b>Total charge for the year</b>		<b>1,364</b>	<b>2,149</b>

## 9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2015	203	1,303	7,789	9,295
Additions	-	60	167	227
Reclassifications	-	-	78	78
<b>At 31 March 2016</b>	<b>203</b>	<b>1,363</b>	<b>8,034</b>	<b>9,600</b>
<b>Amortisation</b>				
At 1 April 2015	203	1,287	6,915	8,405
Charged in year	-	17	739	756
<b>At 31 March 2016</b>	<b>203</b>	<b>1,304</b>	<b>7,654</b>	<b>9,161</b>
<b>Net book value</b>				
<b>At 31 March 2016</b>	<b>-</b>	<b>59</b>	<b>380</b>	<b>439</b>
<b>At 31 March 2015</b>	<b>-</b>	<b>16</b>	<b>874</b>	<b>890</b>
Externally generated	-	59	380	439
	-	59	380	439

All capital additions in the year were funded from core budget.

<b>Cost or valuation</b>				
At 1 April 2014	402	1,332	9,720	11,454
Additions	-	-	201	201
Reclassifications	-	-	205	205
Disposals	(199)	(29)	(2,337)	(2,565)
<b>At 31 March 2015</b>	<b>203</b>	<b>1,303</b>	<b>7,789</b>	<b>9,295</b>
<b>Amortisation</b>				
At 1 April 2014	396	1,303	7,853	9,552
Charged in year	6	13	1,399	1,418
Disposals	(199)	(29)	(2,337)	(2,565)
<b>At 31 March 2015</b>	<b>203</b>	<b>1,287</b>	<b>6,915</b>	<b>8,405</b>
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>-</b>	<b>16</b>	<b>874</b>	<b>890</b>
<b>At 31 March 2014</b>	<b>6</b>	<b>29</b>	<b>1,867</b>	<b>1,902</b>
Externally generated	-	16	874	890
	-	16	874	890

## 10 Financial instruments

As the cash requirements of SQA are met through grant-in-aid provided by the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public-sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SQA's expected purchase and usage requirements and SQA is therefore exposed to little credit, liquidity or market risk.

## 11 Financial assets

	Note	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Investments for unfunded pensions	11(i)	368	373
<b>Current assets</b>			
Investments for unfunded pensions	11(i)	-	-
		368	373

### (i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
<b>Market value at 1 April 2014</b>	380	-	380
Additions	-	7	7
Disposals	-	(7)	(7)
Revaluation	(7)	-	(7)
<b>Market value at 31 March 2015</b>	373	-	373
Additions	-	7	7
Disposals	-	(7)	(7)
Revaluation	(5)	-	(5)
<b>Market value at 31 March 2016</b>	368	-	368
Market value of investments maturing:			
Within 1 year	-	-	-
Outwith 1 year	368	-	368
<b>Market value at 31 March 2016</b>	368	-	368

<b>31 March</b>	<b>31 March</b>
<b>2016</b>	<b>2015</b>
<b>£'000</b>	<b>£'000</b>

## 12 Trade and other receivables

### Amounts falling due within one year:

Trade receivables	4,140	4,816
Other receivables	117	39
Prepayments and accrued income	19,396	18,991
	<u>23,653</u>	<u>23,846</u>

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

Other central government bodies	123	73
Local authorities	52	55
NHS trusts	2	-
	<u>177</u>	<u>128</u>

Included within trade receivables is a bad debt provision of £1,672,000 (31 March 2015: £227,000). The increase in this provision is due to the length of time that the debt has been outstanding from one overseas customer.

During the year £34,000 of bad debt was written off (2015: £73,000).

Included within other receivables are loans to staff amounting to £38,000 (31 March 2015: £33,000).

## 13 Cash and cash equivalents

<b>Balance at 1 April</b>	2,856	2,824
Net change in cash and cash equivalent balances	(341)	32
<b>Balance at 31 March</b>	<u>2,515</u>	<u>2,856</u>

The following balances at 31 March were held at:

Government banking service	(718)	1,278
Commercial banks and cash in hand	3,233	1,578
	<u>2,515</u>	<u>2,856</u>

The overdrawn amount in Government banking service is due to the timing of transfers between accounts to cover BACS payments at the year end.

<b>31 March</b>	<b>31 March</b>
<b>2016</b>	<b>2015</b>
<b>£'000</b>	<b>£'000</b>

## 14 Trade and other payables

Amounts falling due within one year:

VAT	34	36
Other taxation and social security	605	603
Trade payables	100	362
Other payables	540	517
Accruals and deferred income	9,420	8,812
	<hr/>	<hr/>
	10,699	10,330

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

Other central government bodies	-	-
Local authorities	-	32
	<hr/>	<hr/>
	-	32

## 15 Provisions for liabilities and charges

SQA Unfunded Pensions	15(i)	432	432
Indirect Tax Provision	15(ii)	-	410
		<hr/>	<hr/>
		432	842

### (i) SQA unfunded pensions

	<b>£'000</b>
<b>Balance at 1 April 2014</b>	427
Provisions not required written back	-
Provisions utilised in the year	(16)
Unwinding of discount	21
	<hr/>
<b>Balance at 31 March 2015</b>	432
Provisions not required written back	-
Provisions utilised in the year	(16)
Unwinding of discount	16
	<hr/>
<b>Balance at 31 March 2016</b>	432

The provision for SQA unfunded pensions represent 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.

## **(ii) Indirect tax provision**

Services of education, by providing specialist teaching staff, are supplied from local authorities to SQA. Local authorities invoice SQA for these services.

During 2014–15, SQA was made aware that HMRC had ruled that these services are standard rated supplies of staff. SQA duly made a provision to cover the potential cost of VAT not previously charged by local authorities to SQA for the supply of teaching staff seconded to SQA.

During 2015-16, SQA sought independent tax advice which concluded that the duties being carried out by staff seconded from local authorities to SQA do qualify as exempt examination services under VAT legislation (s3, Group 6, Schedule 9, VAT Act 1994) and HMRC guidance. On this basis, the provision has been released as it is no longer considered to be required.

## **16 Government funding**

	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Scottish Government Scottish Survey of Literacy and Numeracy	682	774
Scottish Government accreditation	1,025	1,063
Scottish Government development	11,608	11,325
	<hr/>	<hr/>
	13,315	13,162
Grant-in-aid	7,405	6,695
Capital funding	1,000	-
Notional funding	1,548	1,538
	<hr/>	<hr/>
	23,268	21,395

## **17 Commitments under leases**

### **Operating leases**

The Scottish Government entered into a 15 year lease in September 2005 with the owners of the Optima Building in Glasgow and has sub-leased part of that accommodation to SQA. The Scottish Government pays the Optima rent and landlord's management charges for the Optima Building without recourse to SQA. The treatment of this arrangement shows the notional cost of the Optima rent included in property expenses (note 4) and the notional refund included in government funding (note 16).

Total future minimum lease payments under this operating lease are given in the table below for each of the following periods:



	31 March 2016 £'000	31 March 2015 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	4,593	5,742
	<hr/> 4,593	<hr/> 5,742

The Scottish Government entered into a 15 year lease in October 2011 with the owners of Lowden in Dalkeith. SQA is a tenant of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. The treatment of this arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 16).

Total future minimum lease payments under this operating lease are given in the table below for each of the following periods:

Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	10,320	11,376
	<hr/> 10,320	<hr/> 11,376

In addition, SQA signed a five-year extension from 1 April 2012 with the Scottish Mining Trust for the lease of property at Newtongrange. Obligations under this lease amount to £119,000, all later than one year but no later than five.

There are no other operating leases.

## Finance leases

There are no finance leases in operation.

## 18 Contingent liabilities

During the year two actions for unfair dismissal were raised against SQA in respect of its approach to fixed term contract management. SQA is defending the action with the outcome of the tribunal not expected for the foreseeable future.

SQA was also made aware of a potential claim from a supplier, following an exit audit of IT licence usage. The supplier's auditor claimed that usage was greater than the contracted amount. SQA is disputing the position.

There were no other known contingent liabilities at 31 March 2016 (2015: £nil).

## **19 Events post-date of Statement of financial position**

There are no material events post-date of Statement of financial position that require to be adjusted in the accounts or to be disclosed.

## **20 Related-party transactions**

SQA is a non-departmental public body (NDPB) sponsored by the Scottish Government Learning Directorate.

The Learning Directorate is regarded as a related party. During the year SQA has had various material transactions with the Directorate (note 16). At the year end, there were no balances outstanding (2015: £nil). In addition, SQA has had material transactions with the Scottish Government Employability, Skills & Lifelong Learning Directorate. At the year end, there were no balances outstanding (2015: £nil).

In addition, SQA has had various material transactions with the following related parties, which were all made in the normal course of business.

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2016 £'000	2015 £'000
<b>Eyemouth High School</b> SQA Board Member, Kenny McKay, holds the position of Deputy Head Teacher at the school.	29	29	-	-	-	-
<b>Glasgow Clyde College **</b> SQA Board Member, Susan Walsh, holds the position of Principal at Glasgow Clyde College	1,055	489	-	23	-	-
<b>Jordanhill School</b> SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School	54	54	-	3	-	-
<b>NHS Education for Scotland</b> SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	29	44	-	1	2	2
<b>Scottish Police Authority</b> SQA Chairman, Graham Houston, is a Board Member there	8	6	-	-	-	-
<b>Stirling Council</b> SQA Chairman, Graham Houston, is a Councillor with Stirling Council	488	490	-	-	1	-

\*\*Cardonald College merged with Anniesland College and Langside College to form Glasgow Clyde College.

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF is a related party as SQA Chief Executive, Dr Janet Brown, holds the position of board member there. SQA levied charges of £2,000 (2015: £5,000) to the SCQF during the year. At the year end, £nil (2015: £nil) remained outstanding. In addition £1,000 (2015: £5,000) of charges were incurred by SQA. At the year end, £nil were outstanding.

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.



**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 (FReM) 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.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006