



# Annual Report and Accounts 2012–13

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## **Chairman's and Chief Executive's welcome**

We are delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2012–13, highlighting another successful year for the organisation in spite of a growing financial challenge. 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 strategies to generate growth in Scotland's economy at a time of global economic challenge, and to promote Scotland as a great place to live, work, study, and do business. Crucial to these strategies is our continued development of qualifications and services that benefit learners and employers by providing the breadth and depth of knowledge and skills that are essential to economic growth and productivity, and which also empower and encourage learners to pursue opportunities to learn throughout life.

One major ongoing responsibility has been our contribution to the development and implementation of *Curriculum for Excellence* through the provision of high quality senior phase qualifications and the transformation of the way delivery of those qualifications is supported. We have appreciated the extensive engagement and response to consultation by partners as we approach the introduction of the first new National Qualifications in August 2013. This support in the development of the new qualifications has been an essential ingredient in SQA's achievement of every one of its planned milestones to date within this programme of unique importance and scale.

We've worked closely with Colleges Scotland over recent years to jointly deliver the National Qualifications Group Award Programme, which concluded last summer. It is vital that we continue to work together through the current regionalisation development to ensure that Scottish learners can continue to access meaningful opportunities to learn and develop skills to help with onward training and employment. We have also been developing closer links with training providers on quality matters to develop a better understanding of issues from their perspective.

SQA qualifications and services continued to be in high demand, not only in Scotland but also in the rest of the UK and internationally. Our work outside Scotland helps to raise the understanding of the value of Scottish education across the world and supports the achievement of the Scottish Government's international plans.

Our Accreditation function's reputation as an enabling regulator is increasingly being recognised by its stakeholders but also by other organisations and governments of the UK. It introduced its Regulatory Principles at the beginning of 2012 marking a significant change in the way that it regulates awarding bodies. We have moved away from a prescriptive approach to one which enables

awarding bodies to manage their functions in a way which best meets their needs, yet at the same time maintains the necessary safeguards.

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.

**Graham Houston**  
**Chairman**  
**Scottish Qualifications Authority**

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

**Date**

**Date**

# 1 Introducing SQA

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, it accredits 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 Equality Act (2010).

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.

## SQA 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.

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 is maintained over time and career moves

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 aims to ensure 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.

## **SQA 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.

You can read more about qualifications developments and SQA's work in accreditation in 2012–13 in the Management Commentary (section 5).

## 2 SQA's operating environment

An important focus for SQA during this period, and in the future, continues to be working with partners and other stakeholders to develop and deliver major changes to the qualifications and assessment system in support of the Curriculum for Excellence programme. SQA also has a key role in helping to move Scotland towards sustained economic recovery by ensuring that employers and individuals can access the skills and learning that will support them through recession and into growth. SQA will continue to work towards delivery of its commitments as set out in *Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth*.

It is also imperative that SQA continues to seek every opportunity to maximise efficiency, effectiveness and value for money in developing and delivering those services.

SQA recognises that there will continue to be challenges, and is responding to them. The challenges are coming from reduced public sector funding, demographic movement, and changes to qualification entry income as a result of increasing flexibility of qualification choice through Curriculum for Excellence. The twin imperatives of pursuing income to reduce SQA's reliance on public funds, and reducing expenditure, are already stretching the organisation, and will stretch it further.

To maintain its commitment to providing a high quality qualifications service for Scotland, SQA is enhancing its capacity to respond to the needs of learners, employers, business, industry, the economy, and society.

New processes and future investment in information technology will support increasing demand for online, on-demand and at-a-distance delivery of learning and assessment to support learners' needs.

SQA is also working to promote Scotland's ability to take advantage of emerging opportunities in a future low-carbon economy. In these ways, and many others highlighted in this report, SQA is working to ensure that it is well placed to respond to future opportunities and challenges.

### 3 How SQA operates

As part of the wider Scottish education, skills and training sector, SQA relies on strong partnerships to develop and deliver its Corporate and Business Plan objectives.

SQA works with colleagues in the Learning and the Lifelong Learning Directorates of the Scottish Government to develop its objectives (which are approved by the Scottish Ministers), as well as in the delivery of all of the organisation's functions and services. SQA has adopted a more strategic approach to partnership working across the education and training sectors in recent years, and recognises that the National Outcomes and *Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth* demand ever closer collaboration with colleagues across public services.

SQA is continuing to build its capacity to become a more flexible organisation, able to anticipate and respond quickly to the needs of Scottish employers, educators, learners, and policy-makers, while maintaining the quality of its qualifications and services. SQA has striven to embed efficiency and make best use of public resources across all aspects of its business.

## 4 SQA's goals for 2012–13

SQA's Corporate Plan 2012–15 sets SQA's strategic direction for the next three years. It covers SQA's accreditation and awarding functions. It links the organisation's strategic goals to the Scottish Government's National Outcomes.

The strategic goals were also driven by the SQA Board of Management's assessment of the environment in which SQA operates, taking account of SQA's recent progress. You can read more about SQA's response to the drivers in its operating environment in the Management Commentary for 2012–13.

The strategic drivers that were identified when developing the Corporate Plan 2012–15 include:

- ◆ SQA's vision, mission and values
- ◆ ministerial guidance on SQA's contribution to development and implementation of Scottish Government policy
- ◆ public sector efficiency and partnership

For 2012–15, SQA has seven strategic goals:

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.

Goal 2: Be regarded as a leader in assessment and quality enhancement of learning in Scotland, and recognised worldwide.

Goal 3: Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement.

Goal 4: Accredite and assure the quality of qualifications delivered in Scotland, subject to demand and statutory requirement — other than those conferred by higher education institutions.

Goal 5: Ensure high quality, continually improving, efficient and responsive delivery of services to our customers.

Goal 6: Continue to develop SQA as a leading public body and key partner in Scotland's education and skills system.

Goal 7: Continue to develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment.

## 5 Management commentary

### **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**

#### **Qualifications development and delivery: Curriculum for Excellence**

SQA is one of the partners in Curriculum for Excellence (CfE), with the Scottish Government, Education Scotland, the Association of Directors of Education Scotland (ADES), schools and colleges. SQA leads in developing and implementing qualifications for Curriculum for Excellence. SQA is developing over 250 National Courses and Awards (from National 1 to Advanced Higher), and their associated assessments, to support Curriculum for Excellence.

The next generation of national qualifications is to be introduced from academic session 2013–14. The programme has high aspirations and aims to achieve a transformational change in Scottish education by providing a coherent, flexible and enriched framework of qualifications and assessments that enables all learners to reach their full potential and recognise and raise their achievements. SQA has a range of awards and qualifications in place to support the curriculum, including Awards which provide certification for aspects of wider achievement, as well as the new National Qualifications in the eight curriculum areas which will provide progression from the experiences and outcomes of the broad general education.

The new qualifications from National 2 to National 5 will be introduced in session 2013–14. They will be 'dual-run' with the current system of National Qualifications at Intermediate 1 and Intermediate 2 (Standard Grade qualifications are being certificated for the final time in 2013). The new Higher Courses will be introduced in session 2014–15, and will be dual-run with the current Higher and Intermediate qualifications. Planning and other preparations for the two-year period of dual-running are being progressed and initial additional staffing is already in place.

During 2012–13 SQA published finalised Course and Unit Specifications and Support Notes for all the new National 2 to Higher qualifications, and:

- ◆ National 5 Specimen Question Papers and Marking Instructions
- ◆ List of Scottish Texts for National 5 English
- ◆ National 5 Coursework Information, Assessment Tasks and Marking Instructions
- ◆ National 4 Added Value Unit Assessment support materials
- ◆ National 2 to 5 Unit Assessment Support packages
- ◆ Advanced Higher draft Course Rationales and Summaries, Course Specifications, Course Assessment Specifications and Unit Specifications
- ◆ Feedback on Advanced Higher draft documents.

A range of new Awards from SCQF 1 to 6 were also published, including: new Religion, Belief and Values Awards (at SCQF levels 3 to 6); Wellbeing Awards (at

SCQF levels 4 and 5); and Personal Achievement Awards and Cycling Awards (at National 1 and 2); and Scottish Studies Awards. These Awards sit alongside the existing portfolio and others that SQA has put in place to support the broadening of the curriculum. They include Awards in Employability, Volunteering, Personal Finance and Leadership.

SQA has continued an unprecedented level of engagement using, for example:

- ◆ the '*Have Your Say*' facility on its website
- ◆ formally-established groups such as the Curriculum Area Review Groups (CARGs) and Qualifications Design Teams (QDTs)
- ◆ use of Subject Working Groups (SWGs), including CARG and QDT sub-groups, in the process of quality assuring assessment support material
- ◆ engagement with key stakeholders on the approach to Quality Assurance of internal assessment for the new qualifications, including the nomination of teaching professionals to participate in national Quality Assurance (QA) activities and be responsible for sharing standards and best practice at a local level
- ◆ targeted engagement activities, for example with classroom teachers, local authorities, professional teaching associations and further and higher education institutions

Feedback from *the 'Have Your Say'* web facility has been collated and presented to the CARGs and QDTs. It was then discussed as part of the development process. At the end of March 2013, there had been nearly 1.2 million visits to the subject pages on the website and nearly 4,000 comments relating to the published documents had been received.

The second and third rounds of Curriculum Area Events were held in May and September 2012. Over 1200 delegates attended 28 events. To support the implementation of National 2 to National 5 Courses, 146 National Subject Implementation events were held from October 2012 to March 2013 in venues across Scotland. Around 7,500 delegates from the teaching profession attended. Feedback has been very positive, with more than 90% saying they found the events helpful in their planning. SQA listens very carefully to feedback on the new qualifications to ensure that it continues to support practitioners in implementing the new qualifications. Subject Implementation events for the new Higher will take place later this year. SQA's Curriculum for Excellence Liaison Team is continuing to support regional and local events.

There have been a number of events with Local Authorities, Scottish Council of Independent Schools (SCIS) and SQA school co-ordinators to keep partners advised of SQA's plans, and identify the support external partners require, for implementation. SQA has continued the preparation of systems, processes and infrastructure to support the implementation of new qualifications, and the specific challenges that 'dual-running' presents for both SQA and schools and colleges. The dates for a series of SQA Co-ordinator conferences, a key part of SQA's support for schools and colleges, to be held during the Summer term, were published. SQA's Liaison Team also undertook intelligence gathering with

schools and colleges to inform SQA's forward planning for the first year of implementation in academic session 2013–14.

A key aspect of SQA's engagement is working in partnership with all key stakeholders including local authorities, independent schools and colleges on the key features and respective responsibilities for the new quality assurance approach for internal assessment (see Goal 2, Quality Assurance) which will be implemented in session 2013–14. The approach supports the ethos of Curriculum for Excellence by ensuring the continued credibility of National Qualifications, supporting flexibility of qualification delivery and strengthening SQA's partnership approach with its stakeholders. To date, all outputs and deliverables of the SQA Curriculum for Excellence qualifications and assessment development and delivery programme have been produced on schedule and to required quality standards.

SQA has prepared for the introduction of CfE with the production of detailed operational processes and plans which are maintained and closely monitored. Monthly reports on progress along with detailed evaluation of risks and dependencies are reported to SQA's Curriculum for Excellence Programme Board through three sub-programmes — Qualifications Development, Delivery, and Customer and Communication. SQA also reports into the national Curriculum for Excellence Programme and is represented on the National Implementation Group and Curriculum for Excellence Management Board.

### **Qualifications development: National, Higher National and Vocational**

SQA's National Certificates (NCs) and National Progression Awards (NPAs) are collectively known as National Qualifications Group Awards (NQGAs). NQGAs are designed at SCQF levels 2–6 and provide progression routes from non-advanced levels into employment and to Higher National Certificates/Diplomas and other qualifications. These qualifications are developed to support national and local economic priorities and to address current and future skills needs in Scotland. Engagement with employers, including sector skills councils, has been integral to the development process.

During 2012–13, SQA worked with colleges across Scotland to develop NCs and NPAs, both as specialist single-centre and as specialist collaborative awards. In all, 36 colleges have been involved in these developments. SQA has also worked with Colleges Scotland to support delivery of the qualifications as part of this development programme, which concluded on 31 July 2012.

At the end of March 2013 one specialist collaborative NC, two 'consortium-devised' NCs and one NPA remain in development.

By the end of March 2013, 98 NCs and 220 NPAs were available to centres as a result of the strong development partnership between SQA and Scotland's colleges.

SQA continues to review and revise its HNCs and HNDs to ensure that they are up-to-date to meet the needs of industry and that they help people progress into

higher education. This year, revisions have included the HNs in Computing and Travel and Tourism. The HNs in Computing now incorporate vendor organisation awards where appropriate, while Travel and Tourism has been rationalised from four frameworks into two and now includes new units in employability, business travel, airline/airport operations and digital culture to reflect up-to-date industry practices within this key sector in Scotland. This year SQA has set up a project working with Colleges Scotland, the Scottish Funding Council and higher education to look at how articulation opportunities for HN candidates who wish to articulate directly into years 2 and 3 of degree programmes can be enhanced. This is very much in tune with the government's aims of improving 'learner journeys'.

In addition, SQA has developed a range of other new qualifications, such as Awards, Certificates and Diplomas, to meet needs within and outwith Scotland. These include qualifications in Construction, IT, Waste Management and Sustainable Resource Management. SQA has also reviewed and revised a number of qualifications used in Scotland to ensure that they continue to meet learners' and other stakeholders' needs.

SQA continues to award a wide range of Scottish Vocational Qualifications to support people in training and employment in the key industries in Scotland. This includes ongoing support for qualifications that form part of the government's Modern Apprenticeship programme. SQA also worked with Skills Development Scotland to develop the Certificate of Work Readiness to help those not in employment to prepare for getting into work.

## **2012 Certification**

One of SQA's main responsibilities is the certification of National Qualifications for candidates in schools and colleges across Scotland. SQA has to meet the key performance measures, agreed with the Scottish Government, to demonstrate that this has been achieved successfully. Accordingly, SQA undertakes a year-round cycle of assessment design, recruitment of exam teams, markers and other appointees, supporting delivery of examinations and quality assurance of internal and external assessment leading to NQ certification in August. This is followed by the NQ appeals process, with the outcomes being resulted in September for Higher and Advanced Higher, and October for Standard Grade and Intermediates.

The progress of the activities leading to certification is closely monitored throughout the year.

SQA met all the 2012 performance targets for NQ certification. A total of 158,908 certificates were issued for delivery on 7 August 2012. Candidates were also given the opportunity to receive their results by e-mail and text.

SQA provided a telephone-based support line for Scotland's learners from 7–10 August 2012 to provide advice and deal with queries from candidates and parents following the issue of National Qualifications results. It worked closely

with Skills Development Scotland to ensure that the support and advice offered to candidates were consistent.

The telephone lines opened on 7 August at 08:00 and closed at 17:00 on Friday 10 August. A total of 3,494 calls were received over the four day period, and a 99% service level was achieved.

SQA continued to certificate Higher National and vocational qualifications three times each week. In 2012–13, 189,516 award and unit certificates were sent to candidates and centres in Scotland, across the UK and throughout the world.

### **E-marking**

SQA's e-marking system, and the associated new business processes, were fully tested and successfully implemented in 2012. The new system was used by 35 marking teams (315 markers) to mark and quality assure over 93,000 NQ examination papers.

The project achieved its targets. The feedback received from both markers and SQA users was overwhelmingly positive, and plans have been developed to extend the use of this system in 2013.

### **MySQA**

MySQA is SQA's online service for candidates. It is designed to provide support and to improve engagement and allows any candidate with a valid Scottish Candidate Number to register and view their qualification information online and, if taking NQ examinations, receive their results by e-mail and/or text message. By the end of March 2013, a total of 131,251 candidates had registered with MySQA.

In order to increase participation in MySQA, a campaign that included the use of social media was run, from April to July 2012 to promote its value and encourage registration. This led to a total of 35,084 NQ candidates opting to receive their examination results by e-mail or text message. This was successfully carried out on 7 August 2012.

## **Goal 2: Be regarded as a leader in assessment and quality enhancement of learning in Scotland, and recognised worldwide**

### **Quality assurance**

In developing its quality assurance models, SQA maintains a clear focus on its goal of having a transparent, intelligence-led, risk-based approach to quality assurance of approved centres and potential centres and the qualifications they offer.

Following review and evaluation of the first year of the new approach to quality assurance of Higher National and vocational qualifications, enhancements were made to the model. In addition to the existing groups of centres implementing the

new approach (any centre offering Ofqual-regulated qualifications, NHS Education Scotland (NES) centres, and all Middle East centres), 10 Scottish colleges joined the implementation of the model on a pilot basis.

Following the same key principles, and as part of the development of the new National Qualifications, SQA worked closely with key stakeholders to develop an approach of quality assurance for National Qualifications. The new approach is designed to ensure the credibility of the internally-assessed qualifications, and to enable teachers and lecturers in schools and colleges to be confident that they are assessing to national standards.

To ensure the continued buy-in to, and support for, the new approach to quality assurance for National Qualifications, further detailed engagement and detailed planning was undertaken to ensure the practicalities of implementation.

### **Goal 3: Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement**

SQA continues to support the Scottish Government's international strategy and engagement plans through its work in a variety of countries. It works with other agencies, including Scottish Development International, the British Council and other stakeholders, to ensure that it meets the requirements and demands of international customers.

SQA's international brand continues to develop, with many organisations throughout the world seeking SQA's expertise or wishing to deliver SQA qualifications for their students or workforce.

SQA is working in partnership with many higher education institutions and universities, both in the UK and internationally, to develop formal articulation and progression routes for candidates completing Higher National Diploma (HND) programmes. These will maximise the international mobility of students throughout the world.

SQA enhances the reputation of Scotland's education and training system by offering its expertise to deliver consultancy projects. These activities build in-country capacity in areas such as assessment and quality assurance, and the development of systems, processes and procedures for education and training in international markets. In recent years, SQA has established a worldwide reputation in supporting educational reform, particularly in development of national qualification frameworks.

SQA further promotes Scotland and its education system internationally by hosting and participating in study visits to Scotland from overseas delegates seeking to learn from good practice to inform the development of their education and training systems. During 2012–13 SQA hosted international study visits from government departments and education establishments across the world.

## **Goal 4: Accredit and assure the quality of qualifications delivered in Scotland, subject to demand and statutory requirement — other than those conferred by higher education institutions**

### **SQA Accreditation**

SQA Accreditation is a discrete, autonomous function within SQA, separate to SQA Awarding Body, reporting through the statutory Accreditation Committee and Chief Executive to the Scottish Government. It has a remit to approve awarding bodies and to accredit qualifications submitted by them. By doing this, SQA Accreditation seeks to ensure that the qualifications it accredits meet the needs of Scotland and its people, and to support the Scottish Government's refreshed Skills Strategy — Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth. SQA Accreditation fulfils a regulatory role, ensuring that standards are maintained by approved awarding bodies and accredited qualifications.

The accreditation of certain qualifications is mandatory. All Scottish Vocational Qualifications must be accredited by SQA Accreditation. Where a sector wishes to use an alternative competence-based qualification as the main qualification within a Modern Apprenticeship Framework, these must also be accredited. Similarly, in certain regulated sectors, such as the security sector or the licensed trade, some qualifications must be accredited by SQA Accreditation.

Accreditation of other qualifications is voluntary, and awarding bodies may choose to seek accreditation. Degrees are not within the remit of SQA Accreditation.

In addition to accrediting qualifications, SQA Accreditation conducts audits of the approved awarding bodies to ensure that standards are being maintained. It has adopted a risk-based approach to audit, focusing its resources where they are most needed.

It works with the other qualifications regulators across the UK and seeks to ensure that, for those awarding bodies that operate across all four countries, the regulatory systems are as closely aligned as they can be, given the different education systems in each of the countries.

In April 2012, SQA Accreditation launched its Regulatory Principles. In this first year of operation, the Regulatory Principles ran alongside SQA Accreditation's Awarding Body Criteria. Those awarding bodies which were due to be audited in 2012–13 were able to select whether they wished to be audited against the Regulatory Principles or the Awarding Body Criteria. From a total of 14 awarding bodies due to be audited, 11 elected to be audited against the Regulatory Principles. From 1 April 2013, all awarding bodies will be audited against the Regulatory Principles.

Having reviewed its accreditation process in 2011–12, SQA Accreditation implemented a revised process in 2012–13 which simplified the process for

awarding bodies and sought to reduce the time taken to process accreditation submissions. The accreditation process now also includes an option for awarding bodies to request confirmation of SCQF credit and level for their accredited qualifications. Previously, this had been a separate activity. Awarding bodies are still required to provide evidence of how the proposed SCQF credit and level has been determined.

2012–13 saw the introduction of Universal Services (a revised approach to funding Sector Skills Councils (SSCs) to develop National Occupational Standards, etc) by the UK Commission for Employment and Skills. This resulted in SSCs having to deliver projects within a single financial year. A significant number of projects had a completion date of 28 February 2013 but all SSC submissions were processed on time.

SQA Accreditation conducted its bi-annual stakeholder survey in 2012–13. The full analysis can be found in the accreditation section of the SQA website. In common with previous survey results, SQA Accreditation staff were considered to be very knowledgeable and considered to be a key strength. In addition, 95% of the survey respondents valued the services delivered by SQA Accreditation. An action plan has been developed to address the areas for improvement identified by the analysis.

More information in relation to the work of SQA Accreditation is available in the SQA Accreditation Annual Review.

## **Goal 5: Ensure high quality, continually improving, efficient and responsive delivery of services to our customers**

### **Customer and stakeholder relations**

SQA has continued to provide a dedicated account management service for its new and existing customers. The service provides support in all areas of qualification delivery and centre management. The team of Business Development Managers and Consultants are assigned by geographical area, ensuring they have an in-depth knowledge of their customers' needs and can provide support tailored to their local areas. There has also been continued engagement at local and national level with stakeholders.

SQA has continued to work in partnership with Scottish colleges throughout the pilot of the new approach to quality, meeting regularly with those involved and providing support to those who are preparing the move to the new approach in the year ahead.

Regional Support Teams have been established. These will engage with colleges in 2013–14 to ensure that a high level of assistance is given during college regionalisation.

SQA has continued to work in partnership with colleges to support them in areas such as curriculum reviews, staff development and new qualifications development.

Partnership with colleges and training providers also continues in SQA's quality forums, which seek to identify and implement improvements in quality. This includes a better understanding of the relationship between qualifications delivery and funding, the availability of support materials, and revisions to complaint-handling processes.

SQA has engaged with schools, local authorities, employers, training providers and parents, providing support and guidance on all existing qualifications and the introduction of Curriculum for Excellence. A dedicated team of liaison managers hosted events across Scotland to provide support for teachers in the transition to the new curriculum.

### **Business continuity**

During 2012–13 SQA continued to strengthen its business continuity framework. This included specialist training in crisis media-handling for SQA's Executive Team, and expert incident-management training for new Incident Management Team (IMT) Leaders. Business area continuity plans were refreshed across the organisation to keep pace with changes in the business, including the relocation of Dalkeith staff to the new purpose-built office at Shawfair.

Plans were invoked in response to a number of incidents involving variety of different scenarios. Lessons learned during test exercises and incidents continue to be reviewed to identify further improvements to SQA's Business Continuity Framework.

### **Investment in Technology**

SQA has continued to invest in new technologies to deliver new or improved services to the business. In particular, investments in Business Intelligence have provided reports taking data from multiple sources, eg Financial systems, Customer systems and Award Processing systems. This has also provided the foundation for development of departmental dashboards of key performance indicators.

The rollout of software to improve communications within the business has been very successful.

As direct support for Curriculum for Excellence, software has been developed to support the implementation of a system for quality assurance of internally-assessed units for National Qualifications.

### **Technology to support assessment, learning and quality assurance**

SQA continued to promote and encourage the use of technology to support the assessment of its qualifications and assessments and quality assurance activities more widely.

SQA Academy experienced significant growth in the numbers using it during 2012–13. In total it had 8,100 learners, which compares to 5,500 in the previous year. In addition to its regular activities, the Academy was used to deliver the Scottish Survey of Literacy and Numeracy. Around 2,250 schools and 10,000 students accessed the SQA Academy, for guidance and to complete the survey itself.

Another considerable growth area was the provision of training for SQA appointees. Increasingly, SQA Academy has become an important resource in ensuring that appointees understand what is required of them. SQA is looking closely at how such courses relate to the new teaching standards from the General Teaching Council for Scotland.

This year SQA has continued to expand its use of web conferencing in the delivery of SQA Academy courses. This has enabled it to provide training events with participants from throughout Scotland. The popularity of this approach has meant that it is being considered in all new courses being developed. Courses relating to assessment for both appointees and teaching staff are currently being developed that should be very helpful to both in this period of change.

The 2012 Scottish Survey of Literacy and Numeracy, in its first assessment of literacy under CfE, included assessments that were delivered (and required pupils to respond) on screen. Based on either exemplar websites or short clips of moving image, these assessments were designed to ensure that all aspects of literacy as defined under CfE were covered by the Survey. Feedback from teachers and pupils indicated strong support for this direction of travel, with the benefits to learners' engagement in the assessment activities noted in particular.

Elsewhere SQA continued to see encouraging growth in the use of summative and formative on-screen assessments delivered through its Solar product. This reflects the investment made in new content over recent years, including with the support of the European Social Fund. It also reflects SQA's focus on making e-assessment opportunities available for new products wherever possible and practicable.

To promote the use of technology for assessment and learning more generally, SQA undertook a range of activities including publication of guidance for centres and stakeholders on the use of e-portfolios, continued work with Education Scotland and the Scottish Government on the National Assessment Resource (NAR), and with the College Development Network and the college sector generally on the new open source repository Re:Source.

Internally, SQA made significant progress in the implementation of National Assessment Resource 2 which, in time, will support development and delivery of all its assessment materials.

### **Staff development**

Despite the current economic environment, SQA remains committed to staff development and has maintained its investment in providing development

opportunities for staff members. This supports the delivery of corporate goals and promotes employee engagement throughout the organisation.

The Organisational Development (OD) team provide a service that enables SQA staff members to not only access development in both technical and soft skill areas for their current role but also prepare themselves for future career opportunities which may arise. There is a suite of workshops across a broad area of topics that are available to staff to address generic learning needs. In addition, staff members have taken advantage of 1–1 coaching and external learning events to maximise their performance. The OD team works alongside the HR team to ensure that learning is provided to meet the needs of the organisation, and that development of individuals and teams is aligned with wider business objectives.

Key examples are:

- ◆ **Improvements to the Performance Management Review (PMR) system** — SQA enhanced its PMR system to ensure the focus is on having high-quality and productive conversations. The system has also been e-enabled, so there is a live and active record of the individual's performance and development.
- ◆ **Collaboration within directorates** — to enhance the skills and effectiveness across different teams within directorates, the HR and OD Teams worked closely with Senior Managers to develop tailored and engaging learning interventions. This collaborative approach ensured not only enhanced employee engagement but also improved the efficiency and effectiveness of different teams within the organisation.
- ◆ **New policy and e-learning software package** — to complement existing arrangements for training delivery, SQA invested in a software package which electronically delivers policies to staff members (and, in the future, will deliver e-learning). The policies are read and acknowledged electronically, and this has served as a powerful tool to ensure awareness and knowledge of important organisational policy for all staff.
- ◆ **Investment in CPD** — CPD continues to be important in SQA, and this year nine members of staff have achieved SVQs in Customer Service, Business Administration or Management, with a further 44 people continuing to pursue a qualification.

### **SQA's appointees**

SQA works in partnership with around 15,000 appointees each year to support development and delivery of its qualifications. The majority of appointees are teaching professionals and industry specialists who contribute subject specific expertise to SQA's work. There are a number of appointee roles which range from those who assist with the setting and vetting of question papers (Setters/Vetters, Item Writers/ Item Checkers) to those who mark candidate examination scripts (Markers). The work of the various groups of appointees is

overseen by senior appointees who undertake the roles of Principal Assessors and Principal Verifiers.

SQA has engaged with teaching professionals and employers to promote the benefits of undertaking an appointee role. During 2012–13 many new appointee opportunities were made available to teaching professionals through an open recruitment process. Over 1400 applications were received, and successful appointees will assist in the development and delivery of the new National Qualifications.

SQA rolled out its appointee training programme for the new Higher qualifications. Principal Assessors for these qualifications undertook a one-day induction programme, and also completed the first two days of their formal training. Activities undertaken as an appointee will contribute to the Continuous Professional Development (CPD) within their main teaching role.

SQA also worked in partnership with local authorities to secure nominees to support the new quality assurance model for the new qualifications. A structured training programme in understanding national standards has been developed to support over 2000 nominees. This is also a good opportunity for individuals to enhance their CPD.

Work commenced on rolling out web conferencing software to appointees. This software will allow us to host remote meetings with appointees which will generate longer term efficiencies.

### **Managing information**

Responsibility for Information Governance was taken on by SQA's Quality Systems and Planning team, and a review of the resources required was carried out.

Work is underway to review the scope of the Information Governance project and to prioritise areas of work to support the roll-out of an enterprise content management system, and to work towards compliance with the Public Records (Scotland) Act 2011.

## **Goal 6: Continue to develop SQA as a leading public body and key partner in Scotland's education and skills system**

SQA plays a crucial role in ensuring the skills and education systems in Scotland are effective. To do so, SQA works closely with other stakeholders in Scotland and beyond. In particular, SQA works very closely with both Education Scotland and the Scottish Government in implementing Curriculum for Excellence, ensuring there is a suite of new national qualifications created to support Scotland's new curriculum and deliver success for Scotland. SQA also works closely with other key stakeholders, such as the Convention of Scottish Local Authorities (COSLA), the Scottish Council for Independent Schools and the Association of Directors of Education in Scotland, and works hard to build confidence and trust in the new national qualifications in the broader community.

Alongside SQA's work on the new National Qualifications, it also works very closely with Colleges Scotland. They are important partners and customers of SQA in the skills landscape. Working together to continuously develop the national portfolio of qualifications is a key relationship to ensure that Scotland's skills- and knowledge-based qualifications remain world class.

Of course, SQA also works with a wide range of employers, employer groups, training providers and public bodies — often acting as the conduit to bring a range of parties around the table to act in concert to make progressive change for Scotland. In the last year, SQA has worked very closely with Skills Development Scotland to develop and deliver the Certificate of Work Readiness, a major new policy initiative aimed at helping young people to gain real working experience to break the cycle where 'no job means no experience' and vice versa. This shows Scotland's public bodies at their best: bringing their knowledge and skills together to enable a positive outcome for the people and businesses of Scotland.

SQA's Accreditation function introduced its *Regulatory Principles* and is seen by its stakeholders as a leading qualifications regulator. Its enabling approach to regulation has been recognised by other UK Nations. The introduction of the *Regulatory Principles* marks a significant difference in how the Accreditation function regulates awarding bodies in comparison to the other UK Nations. Awarding bodies have been very receptive to this approach, and there is an increasing interest from awarding bodies seeking to be approved. SQA Accreditation both supports and represents Scottish interests at a UK level.

Overall, SQA's strong commitment to being a key partner in Scottish skills and education is best embodied in the Advisory Council. The Advisory Council is a group, chaired by an SQA board member but independent of the board, that acts to provide SQA with both probing challenge and wise counsel across its full range of activities and responsibilities. Advisory Council membership is drawn from across Scottish public life, with employers, training providers, colleges, universities and parents all represented. This panel of 'critical friends' helps to ensure SQA's commitment to partnership working remains a key element of SQA's day to day practice.

### **Corporate social responsibility**

SQA is keen to lead the way as a socially responsible employer in the public sector. Over the past year, it has implemented various activities that have *Given Something Back* to Glasgow and Midlothian communities, and beyond. It now stands proudly in a position where businesses from public and private sectors are looking to SQA as an example to follow. SQA is represented on the Scottish Business in the Community Glasgow Leadership Group as a leading employer in Glasgow for Business and Administration.

SQA's 'Handsup' Volunteering scheme has been in place for two years. Staff members have given over 900 hours to various volunteering initiatives including:

- ◆ CV writing
- ◆ mock interviews
- ◆ paired reading sessions
- ◆ gardening
- ◆ painting and DIY
- ◆ pupil mentoring programme

SQA's Make A Change Group has been awarded the Healthy Working Lives Gold Award for a fourth year running for its work to promote healthy living to staff.

## **Sustainability**

SQA continues to promote sustainable choices to staff to visitors.

A range of events took place on both SQA sites to help promote sustainable choices in the office and at home. This includes a Love Food Hate Waste campaign and a Travel Surgery. Further events are planned for 2013–14, including the Lothian Buses Event Bus, which will be visiting SQA's Lowden office in Dalkeith to promote the use of public transport.

CO<sub>2</sub> emissions from SQA's property have decreased for a second year. However, there has been a significant increase in emissions from flights, which is attributed to supporting International markets.

The electric vehicle partnership between SQA and Edinburgh College has been extended for a further three years. The vehicle is widely used for business and for transporting staff members, appointees and other visitors from central Edinburgh to SQA's Lowden office. As a result of this partnership, SQA staff members are involved in judging the Edinburgh College Green Transport Award, which has a first prize of £50,000.

## **Equality**

During the reporting period SQA carried out a number of activities to promote awareness and to mainstream equality. These include:

- ◆ steps to improve data collection, monitoring and reporting
- ◆ raising awareness of equality through internal campaigns and staff newsletters
- ◆ increasing dialogue with staff and other groups in particular to develop SQA's Equality Outcomes
- ◆ improving processes to mainstream equality in policy development and review as part of equality impact assessment work

An update on the work carried out during 2012–13 to prepare and publish SQA's Equality Outcomes (a requirement the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012) is provided in [SQA's Equality Strategy 2013–17](#).

Work continued to raise awareness of SQA's data gathering and employment monitoring responsibilities. In March 2013, staff members were invited to update their personal equality data. At the end of March 2013, approximately 77% have

engaged in this data gathering exercise. 61% of staff members have now supplied their equality data, and 16% have preferred not to say. SQA will develop plans to analyse and use this information to help it better meet the general equality duty. During the reporting period, SQA's total number of days' absence was 8,060. SQA has policies in place to ensure that it responds to requests for reasonable adjustments from disabled employees and its Occupational Health Manager continues to provide confidential advice and support to staff.

SQA continued to implement and refine its Equality Review of Qualifications process. This process has been developed to ensure that qualifications are not discriminatory for any learner on the grounds of any of the protected characteristics, and that due consideration is given to the reasonable adjustments that SQA can make to provide access to its qualifications for disabled learners. SQA's Equality and Inclusion Key Partners Group continued to support this process.

In March 2012, SQA launched a consultation seeking views on proposals for exercising its powers under section 96 (7) of the Equality Act 2010 for specifying and publishing where adjustments for disabled candidates should not be made. In deciding to make specifications, SQA very carefully considered the views of all those consulted. SQA has made a small number of specifications. These specifications are listed in the report on the outcome of the consultation, which can be found on the [SQA website](#).

More information on SQA's work and future plans to ensure fairness and equality, including progress with the Equality Review of Qualifications process, is available in the [SQA Equality Mainstreaming Report 2012–13](#) and Equality Strategy for 2013–17. These documents set out SQA's commitment to meeting and going beyond its statutory obligations.

### **SQA's Gaelic Language Plan**

In 2012–13, SQA continued to implement its five-year Gaelic Language Plan — *Plana Cànan na Gàidhlig* — which was approved by Bòrd na Gàidhlig in 2010. The visibility of Gaelic across the organisation continued to grow. The last staff survey showed that awareness of SQA's Gaelic planning activities has continued to increase across the organisation.

SQA sponsored An Latha Litreachais (Literature Day) at the Royal National Mòd in Dunoon in October 2012 and maintained a strong presence throughout the event, which garners national and international publicity. The 12 new language Units launched in 2012 are now being delivered and assessed successfully at Lews Castle College. Plans are in place to promote this provision nationally.

SQA has strengthened its commitments to Gaelic-medium provision in Senior Phase through partnership working with publishing organisations on the versioning of Gaelic editions of CfE documents.

This was the second academic year in which candidates were able to register directly for a Gaelic-medium qualification and numbers of candidates presenting for Gaelic-medium examinations continued to increase.

SQA has continued to meet the requirements of the Gaelic Language Act and, through its presence at national events such as the Mòd, has raised its national and international profile significantly, in terms of its commitment to the revitalisation of the language.

### **SQA Staff Update**

Employee engagement is very important at SQA. SQA has carried out a number of measures to ensure that it engages thoroughly with staff to understand what it is doing well as an organisation and where it can potentially improve.

### **Staff Survey**

In September 2012, SQA undertook a Staff Survey, which comprised 75 questions on themed topics and provided the opportunity to give written feedback. SQA's engagement score was 80% — this is 15% higher than other benchmark organisations. The questions in the survey that achieved the highest positive scores demonstrated a high level of commitment from staff in achieving the goals of the organisation.

### **Engagement Workshops**

In addition to the Survey, SQA also facilitated Engagement Workshops. A total of 127 staff members participated and were asked their opinions about what makes SQA a great place to work and what could be improved. With this information, and that from the Staff Survey, SQA had a wealth of knowledge as to what its staff valued together with areas for improvement.

This has provided a strong direction on what needs to be done this year and in the future.

### **Partnership Group**

SQA works collaboratively with the Trade Unions through its Partnership Group. In addition to consultation on employee-related matters and collective agreement rights, this group also works together to develop and support an environment of trust, respect and inclusivity at all levels, in the shared belief that this will benefit the Scottish public, the organisation and individual staff members.

The group is made up of members from SQA's recognised Trade Unions of Unite and Unison, SQA's Executive Team and the Human Resources Team.

### **Auto-enrolment**

Millions of people are not saving enough to have the income that they are likely to want in retirement. The Government introduced new legislation to place a compulsory duty on employers to automatically enrol all workers who meet certain age and earnings criteria into a pension scheme.

The new pensions legislation came into effect across SQA on 1 March 2013. In preparation for this, HR and Finance colleagues have worked together to ensure that SQA meets this legislation not only for SQA staff but also for its 15,000 appointees.

## **Goal 7: Continue to develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment**

### **Wider markets**

SQA continued to extend its activities outwith Scotland through strong engagement and partnership activities with stakeholder organisations and institutions. The range of qualifications and services available to these markets has been expanded, and this resulted in an increase in the uptake of qualifications and in the number of SQA-approved centres. These activities help to maintain the integrity of SQA's comprehensive portfolio of products and services.

### **Management of major change (Portfolio Management)**

In 2012–13 work continued to embed Portfolio management in SQA and realise the benefits of the major transformational change projects which make up the Portfolio. The projects manage developments to help SQA introduce new products, such as the new National Qualifications (CfE), and transform its services, for example support greater use of electronic assessment.

A full review of the Portfolio, to ensure that the result of SQA Portfolio management will be the right projects, at the right time, with the right outcomes, and getting the best out of Portfolio and Programme Boards, was undertaken at the end of 2012.

The scope of the review also looked at industry best practice and actions have now been agreed for inclusion in a plan to ensure the continuous improvement of SQA's approach to its management of major changes to services and products.

### **Shared services**

To support the Scottish Government's agenda for shared services, SQA has an annual agreement with the Scottish Funding Council (SFC) whereby SQA provides leadership and services in respect of HR and Organisational Development to the SFC.

SQA also provides recruitment administration support to the SCQF (Scottish Credit and Qualifications Framework). These build on existing arrangements to share good practice and resources that are fundamental to delivery of SQA services, for example:

- ◆ shared facilities management services (cleaning, security, mail, print and light maintenance) linked to SQA's co-location with Education Scotland in the Optima building in 2005
- ◆ working with colleges, articulation hubs and other stakeholders in an SFC-funded project that aims to identify, develop and pilot enhancements to SQA's HN Qualifications and assist learners' and/or colleges' preparation for articulation opportunities
- ◆ active participation in benchmarking exercises led by Scottish Government for corporate services
- ◆ participation in the Scottish Public Sector Collaborative Learning Steering Group, which aims to develop 'a robust mechanism to deliver collaborative, cross-public-service leadership development, to underpin transformational change, with access for staff at all levels from across public service organisations ...'

### **Self-Financing Target**

The Scottish Government has set SQA the challenging target of becoming self-financing by 2015–16. SQA recovers the majority of its costs through the charges it makes to customers for the provision of its services within Scotland, the rest of the UK, and internationally. SQA also receives funding from the Scottish Government, which contributes to the core running costs of the organisation. This funding has been reducing each year in line with the self-funding objective. SQA also receives Scottish Government grants to fund the costs of specific activities that are sponsored by the Government, such as the delivery of Curriculum for Excellence. SQA has been growing its commercial activities successfully over a number of years whilst continuing to seek savings and efficiencies from its operations.

## **6 Financial performance**

### **Financial overview**

The financial results for the year ended 31 March 2013 are contained in the attached annual accounts, which have been prepared in accordance with the 2012–13 *Government Financial Reporting Manual*. The financial performance and position of the organisation are explained in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position, respectively. The accounting policies adopted by SQA are set out in the notes to the accounts.

### **Pension deficit**

SQA has included a pension deficit of £11.370m within the annual accounts under IAS 19, the IFRS, which relates to the disclosure of pension arrangements. This deficit has been advised by Hymans Robertson, the actuary to the Local Government Pension Scheme, of which SQA is a member.

### **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the period totalled £0.894m. This was primarily used to purchase IT equipment (£0.431m) and to develop assets under construction (£0.463m).

### **Intangible assets**

Expenditure on capitalised intangible assets during the period totalled £0.636m. This was solely used to purchase IT software (£0.636m).

### **Income**

SQA income is generated from charging for the delivery of its products and services and from some EU grant funding. Total income in 2012–13 of £46.5m was obtained, being entry charges (£39.7m), other income (£6.7m) and EU funding (£0.1m). Entry charge income in Scotland was higher than in the previous year and this was primarily due to the timing of entries. Income continued to grow from activities in the Rest of the UK and International Awarding markets. Contracts income increased from the prior year, however International Consultancy activity reduced in 2012–13 resulting in a fall in income which was offset by a similar fall in associated expenditure. Income from the European Social Fund reduced in line with planned activity levels and this was also fully offset by a corresponding reduction in expenditure.

### **Expenditure**

Operational costs were £67.7m, being staff costs (£27.6m), other expenditure (£37.6m) and depreciation (£2.5m). Staff costs have increased as the savings secured from reduced staffing levels following a Voluntary Early Release Scheme

in March 2012 have been offset by the impact of the pay award and a growth in headcount in relation to Curriculum for Excellence activity. Other expenditure has grown overall and this was also mainly due to an increase in activity on Curriculum for Excellence, and an unfavourable movement in pension costs which has been accounted for in accordance with IAS 19. The impact of the sale of Ironmills Road in 2011–12 partly offset these increases. Depreciation cost increased in line with the capital investment in technology.

Further detail of these cost areas is given in the notes to the accounts.

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

Statements of expenditure for 2012–13 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

## **Efficiency, effectiveness and economy**

SQA plans to make efficiency savings in line with or exceeding Scottish Government targets in each financial year. For the financial year 2012–13 SQA had an efficiency savings target of £0.5m and realised actual savings of £0.7m. These savings included staff cost reductions created by a Voluntary Early Release Scheme, and other cost reductions created through the more effective use of technology and by improving business processes and working practices. The target has been exceeded by embedding a culture of efficiency across the organisation and by ensuring that there is no reduction in outputs or quality of service as a result of achieving these efficiencies.

## **Payments to suppliers**

SQA aims to pay suppliers within 10 days of receipt of a valid invoice. Performance against this aim during 2012–13 was 93% (2011–12: 96%) of suppliers being paid within 10 days.

## **7 The future**

The Corporate Plan 2013–16 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 strategic goals support the Scottish Government’s National Outcomes.

SQA’s strategic goals for 2013–16 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 agenda to maximise the benefits of international engagement.
- 4 Accredite and assure the quality of qualifications delivered in Scotland, subject to demand and statutory requirement — other than those conferred by higher education institutions.
- 5 Ensure high-quality, continually improving, efficient and responsive delivery of services to our customers.
- 6 Continue to develop SQA as a leading public body and key player in the education, skills and training landscape.
- 7 Continue to develop a business model that enables SQA to achieve self-financed status.

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

**Date**

## 8 Remuneration Report

### 8.1 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.

### 8.2 Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. Employee contributions from 1 April 2012 are based on full-time equivalent pay as at 31 March for LGPS (see below) and on full-time equivalent pay as at 1 April for the Scottish Teachers' Superannuation Scheme (see below). For 2012–13, employer's contributions of £3,407,056 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay and 14.9% 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 2012-13

Pay tranche	Contribution rate paid on that tranche
Up to and including £19,400	5.50%
Above £19,400 and up to £23,700	7.25%
Above £23,700 and up to £32,500	8.50%
Above £32,500 and up to £43,300	9.50%
Above £43,300	12.00%

## Scottish Teachers Superannuation Scheme contribution rates

Full-time equivalent pensionable pay	contribution rate
	<b>2012-13</b>
Below £15,000	6.4%
£15,000 - £25,999	7.0%
£26,000 - £31,999	7.3%
£32,000 - £39,999	7.6%
£40,000 - £74,999	8.0%
£75,000 - £111,999	8.4%
£112,000 and above	8.8%

### 8.3 SQA's Non-Executive Board

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

The members of the Board are appointed by the 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 (August) by the Scottish Government. The Chairman's level of remuneration is set and reviewed annually by the Scottish Government.

### 8.4 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 2012–13 were:

- ◆ Mr Graham Houston (SQA Chairman and Convenor of the Remuneration Committee)
- ◆ Susan Walsh (SQA Board Member)
- ◆ Ms Carole Wilkinson (SQA Board Member)
- ◆ Dr Janet Brown (SQA Chief Executive and Officer of the Committee)
- ◆ Ms Maidie Cahill (Officer of the Committee)

### 8.5 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.

	Salaries and other payments		Benefits in kind	
	2012-13 £'000	2011-12 £'000	2012-13 £	2011-12 £
<b>Chairman</b>				
Graham Houston	10–15	10–15	600 <sup>2</sup>	200 <sup>2</sup>
<b>Chief Executive</b>				
Dr Janet Brown	120–125	120–125	-	6,300 <sup>1</sup>
<b>Non-Executive Board Members</b>				
Jim Edgar	0–5	0–5	300 <sup>2</sup>	200 <sup>2</sup>
Willie Gallagher	0–5	0–5	200 <sup>2</sup>	300 <sup>2</sup>
Kenny McKay	0–5	0–5	200 <sup>2</sup>	400 <sup>2</sup>
Raymond O'Hare	0–5	0–5	200 <sup>2</sup>	-
Prof John Simmons*	0–5	0–5	300 <sup>2</sup>	400 <sup>2</sup>
Dr Paul Thomson	0–5	0–5	300 <sup>2</sup>	500 <sup>2</sup>
Susan Walsh	0–5	0–5	300 <sup>2</sup>	200 <sup>2</sup>
Carole Wilkinson	0–5	0–5	200 <sup>2</sup>	300 <sup>2</sup>
<b>Directors</b>				
Maidie Cahill	80-85	80-85	-	-
Linda Ellison**	60-65	-	-	-
Rob Gibson	75-80	75-80	-	-
Karen McCallum	85-90	85-90	-	-
John McMorris	80-85	45-50	-	-
Dr Gill Stewart	80-85	80-85	-	-
Eric Martinez***	5-10	-	-	-
<b>Band of Highest Paid Directors</b>				
Total Remuneration	120–125	120–125		
Median Total Remuneration	25,697	25,092		
Ratio	4.8	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.

\* Term of appointment for Professor John Simmons ended on 13.02.13

\*\* Linda Ellison commenced permanent employment with SQA on 30.04.12

\*\*\* Eric Martinez commenced employment with SQA on 11.03.13

There were no bonuses paid 2012–13

Benefits in kind are:

<sup>1</sup> Company car – with effect from 2 February 2012, the Chief Executive gave up her right to a company car

<sup>2</sup> 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:

	<b>Real increase in pension  £</b>	<b>Total accrued pension at 31 March 2013  £'000</b>	<b>Cash equivalent transfer value at 31 March 2012  £'000</b>	<b>Cash equivalent transfer value at 31 March 2013  £'000</b>	<b>Real increase in cash equivalent transfer value  £'000</b>
<b>Chief Executive</b>					
Dr Janet Brown	0–2,500	10–15	475	509	20
<b>Directors</b>					
Maidie Cahill	0–2,500	10–15	332	371	30
Rob Gibson	0–2,500	5–10	50	67	16
Karen McCallum	0–2,500	5–10	91	113	23
John McMorris	0–2,500	0–5	58	82	22
Dr Gill Stewart	0–2,500	5–10	457	496	26

	<b>Real increase in pension  £</b>	<b>Total accrued pension at 31 March 2012  £'000</b>	<b>Cash equivalent transfer value at 31 March 2011  £'000</b>	<b>Cash equivalent transfer value at 31 March 2012  £'000</b>	<b>Real increase in cash equivalent transfer value  £'000</b>
<b>Chief Executive</b>					
Dr Janet Brown	0–2,500	10–15	417	475	43
<b>Directors</b>					
Maidie Cahill	0–2,500	10–15	276	332	46
Rob Gibson	0–2,500	0–5	30	50	19
Karen McCallum	0–2,500	5–10	65	91	23
John McMorris	0–2,500	0–5	N/A	58	58
Dr Gill Stewart	0–2,500	0–5	399	457	45

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

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

**Date**

## 9 Statement of Accountable 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; and
- ◆ 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.

## **10 2012–13 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 relevant bodies on the proper handling and reporting of public funds. It sets out the relevant 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 2013 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 Advisory Council, 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 reporting scrutiny of corporate performance, risk management, and the effectiveness of the internal control system. The Board discusses risk as part of its strategic focus on an annual basis and reviews the corporate risk register twice a year.

## **Internal audit**

Following an assessment of internal audit service requirements and discussions with senior management, a three-year strategic Process Improvement Plan for 2011–14 was developed by Scott-Moncrieff. It was developed by our Executive Management Team and approved by our Audit Committee in May 2011. The three-year plan is subject to ongoing and formal annual review to ensure that it reflects changes in business requirements and takes account of any changes in SQA's risk profile. The reviews for 2012–13 were agreed by our Executive Management Team and approved by the Audit Committee in February 2012. 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 operates an additional in-house audit programme, composed of trained staff. The in-house volunteers conduct audits of key processes to support our continuing partial compliance with ISO 9001 and ISO 27001. Reports on this audit activity are submitted to the Audit Committee.

SQA awarding body is subject to regulatory audit by SQA Accreditation and Ofqual and reports from these audits are monitored by the Audit Committee and also the Qualifications Committee.

## **Internal controls**

Corporate Services and Finance Directorates support 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 against the strategic goals identified within the Corporate Plan and reports any matters of interest to the Board of Management for their consideration. The Quarterly Performance Review process was revised during 2012–13 to more clearly focus on SQA's key corporate measures and discussion of resulting actions. The Chief Executive's quarterly All Staff Briefings are an opportunity to provide updates on changes in the organisation's environment, priorities and progress and highlight progress in achieving SQA's annual plan.

## **Managing major change projects (Portfolio management)**

The Portfolio Board has been in place since January 2011 to oversee major project activity and to ensure its continued alignment to SQA's Strategic Goals

and 2020 Vision. The Chief Executive and Executive Management Team make up the board. SQA's Directors sponsor the programmes within the portfolio. The Portfolio Management Office provides the co-ordination and is responsible for monitoring delivery progress for the Portfolio Board to review. It also ensures that key standard processes are in place and adhered to. The key activities of the Portfolio Board are to provide strategic direction to Programme Boards, confirm the portfolio content and priorities, review delivery progress, addressing any escalated risks and issues, and ensure that implementation into the business is planned and co-ordinated to maximise benefit and minimise operational disruption.

A review of the operation of the portfolio and its governance has been undertaken to ensure its continued appropriateness and effectiveness in identifying and implementing the right projects at the right time. SQA has now developed an action plan to address the recommendations.

## **Risk management framework**

All bodies to which the Scottish Public Finance Manual (SPFM) is applicable must operate a risk management strategy in accordance with relevant 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 is 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 key strategic risks and mitigating action. Within SQA business areas, projects and programmes there are operational risk registers. These risks are reviewed regularly by local managers and centrally to determine if any require to be escalated to the Executive Management Team for inclusion in the Corporate Risk Register, which is reviewed by the Audit Committee and escalated to the Board, if appropriate. This review is informed by thresholds to identify risks where the rating suggests that the risk 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 which the organisation could face in the future. Any additional factors or risks are then incorporated into the Corporate Risk Register. During 2012–13 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation as relating to uncertainty around a sustainable funding model for the organisation and the criticality of SQA's role in working with partners to ensure successful delivery of the overall Curriculum for Excellence model.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. This included provision of specialist training in crisis media handling for SQA's Executive Team and expert incident management training for new Incident Management Team (IMT) Leaders. Business area continuity plans were refreshed across the organisation to keep pace with business change.

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 ongoing review takes place. In particular, a comprehensive policy register is in place. 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 compliant 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 Scottish Government. An electronic purchase order processing system is in operation across SQA. This provides a controlled and streamlined environment to support both compliance with relevant legislation and SQA's financial regulations, and to secure best value. In 2012–13, the Procurement Team will continue to provide advice and support to ensure SQA's continued compliance to its legal requirements and implement best-practice business models to drive down costs and improve efficiencies. Over the next year the Procurement Team will work closely with the Qualifications Development Directorate to review current working practices in terms of external spend and to develop a strategy to ensure value for money and best practice in relation to procurement.

## **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 which 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.

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 2012–13 there were no reported incidents 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. As required by ISO 27001:2005, SQA has a reporting structure for information security incidents. During 2012–13, there were no reported personal data incidents.

During 2012–13, SQA's legal advisers, Brodies LLP, delivered training on the Freedom of Information (Scotland) Act, Data Protection, Data Security and Data Sharing to key staff in all business areas. The Executive Team attended an awareness raising workshop on information law and a similar workshop is being planned for the Management Team meeting in July 2013.

An ongoing training programme is being developed as part of the Information Governance project. This includes Information Security.

## **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 this. Revised reporting arrangements were introduced during 2012–13 to support management in more clearly focusing on delivery of efficiency targets. Options to define and track non-cash releasing efficiency savings are in progress.

SQA continues to identify areas where investment would provide opportunity for further efficiency savings or increased effectiveness in delivering our corporate objectives in line with Ministerial guidance.

## **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 to the SQA's Audit Committee regular reports 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 2012–13 I have considered the reviews of Curriculum for Excellence, Delivery of IT Strategic Planning & Transformation, Partnership Working and External Communication, Information Management, Income Generation, Internal Communications, Accounts Payable and Budgetary Control.)

- ◆ 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**

**Date**

# 11 Independent auditor's report

## **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 2013 set out on pages 43 to 70. 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 Government Financial Reporting Manual 2012–13.

This report is made solely to Scottish Qualifications Authority and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scottish Qualifications Authority and the Auditor General for Scotland, for this report, or the opinions we have formed.

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

As explained more fully in the Statement of the Accountable Officer's responsibilities set out on page 33, the Accountable Officer is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. 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.

### **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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements 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 of the state of the body's affairs as at 31 March 2013 and of its net operating costs for the year then ended;

## **Independent auditor's report to the Scottish Qualifications Authority (continued)**

- ◆ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the Government Financial Reporting Manual 2012–13; and
- ◆ have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000**

- ◆ 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 matters prescribed by the Public Finance and Accountability (Scotland) Act 2000**

In our opinion:

- ◆ the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- ◆ the information given in the Management Commentary and the sections headed: SQA's Operating Environment, SQA's Goals for 2012–13, Financial Performance and The Future, included in the Annual 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 have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us 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 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.

**Stephen Reid**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
191 West George Street  
Glasgow  
G2 2LJ

Date

## 12 Accounts 2012–13

### Statement of comprehensive net expenditure

for the year ended 31 March 2013

		2012-13	2011-12
	Note	£'000	£'000
<b>Expenditure</b>			
Staff costs	3	27,606	27,417
Depreciation and impairment charges	9(ii)	2,479	1,646
Other expenditures	4	37,606	35,280
		<hr/>	<hr/>
		67,691	64,343
<b>Income</b>			
Entry charges	5	39,705	37,850
EU funding	6	125	786
Other income	7	6,645	8,276
		<hr/>	<hr/>
		46,475	46,912
<b>Net expenditure</b>		(21,216)	(17,431)
Interest (payable)/receivable	8	417	951
<b>Net expenditure after interest</b>		<hr/>	<hr/>
		(20,799)	(16,480)

The notes on pages 47 to 71 form part of these accounts.

## Statement of financial position

as at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9(i)	5,565	8,590
Intangible assets	10	3,127	1,085
Financial assets	12	266	387
<b>Total non-current assets</b>		<b>8,958</b>	<b>10,062</b>
<b>Current assets</b>			
Assets classified as held for sale	13	-	850
Trade and other receivables	14	15,112	15,976
Financial assets	12	132	-
Cash and cash equivalents	15	1,258	830
<b>Total current assets</b>		<b>16,502</b>	<b>17,656</b>
<b>Total assets</b>		<b>25,460</b>	<b>27,718</b>
<b>Current liabilities</b>			
Trade and other payables	16	(8,999)	(10,015)
<b>Total current liabilities</b>		<b>(8,999)</b>	<b>(10,015)</b>
<b>Non-current assets plus net current assets</b>		<b>16,461</b>	<b>17,703</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	17	(808)	(411)
Defined benefit liability	3	(11,370)	(6,641)
<b>Total non-current liabilities</b>		<b>(12,178)</b>	<b>(7,052)</b>
<b>Assets less liabilities</b>		<b>4,283</b>	<b>10,651</b>
<b>Taxpayers' equity</b>			
Revaluation reserves		96	86
General reserve		4,187	10,565
<b>Total taxpayers' equity</b>		<b>4,283</b>	<b>10,651</b>

The financial statements were approved by the Board of Management on 21 August 2013 and were signed on its behalf by:

**Dr Janet Brown**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**13 September 2013**

The notes on pages 47 to 71 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 £'000
<b>Cash flows from operating activities</b>			
Total comprehensive expenditure		(20,799)	(16,480)
<b>Adjustments for non-cash items</b>			
Depreciation		2,479	1,646
Loss on disposal of property, plant and equipment		34	-
Notional Optima rent		1,538	1,538
<b>Movements in working capital</b>			
Decrease in trade and other receivables		864	390
Decrease in trade and other payables		(626)	(573)
Proceeds from disposal of asset held for sale		850	-
<b>Movements in provisions and long-term liabilities</b>			
Increase of provisions		7	18
Decrease in defined benefit liability cost		(527)	(1,102)
<b>Net cash outflow from operating activities</b>		<u>(16,180)</u>	<u>(14,563)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		894	(4,263)
Purchase of intangible assets		636	(957)
Proceeds of disposal of property, plant and equipment		-	-
Receipts/(payment) of funds transfer		-	3
<b>Net cash outflow from investing activities</b>		<u>(1,530)</u>	<u>(5,217)</u>
<b>Cash flows from financing activities</b>			
Additional funding from Scottish Government	18	6,063	2,835
Government funding	18	11,816	14,137
Capital funding	18	259	3,638
<b>Net financing</b>		<u>18,138</u>	<u>20,610</u>
<b>Net increase in cash and cash equivalents in the period</b>		428	830
<b>Cash and cash equivalents at the beginning of the period</b>		830	-
<b>Cash and cash equivalents at the end of the period</b>		<u>1,258</u>	<u>830</u>

The notes on pages 47 to 71 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2013

	Note	Revaluation Reserves £'000	General Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2011</b>		92	11,958	12,050
<b>Changes in taxpayers' equity for 2011-12</b>				
Net gain on revaluation of investments	12(i)	16	-	16
Release of reserves to the General reserve		(22)	22	-
Actuarial gain	3	-	(7,098)	(7,098)
Unfunded benefits paid		-	15	15
Net expenditure after interest		-	(16,480)	(16,480)
Total recognised income and expense for 2011-12		(6)	(23,541)	(23,547)
Scottish Government funding	18	-	22,148	22,148
<b>Balance at 31 March 2012</b>		86	10,565	10,651
<b>Changes in taxpayers' equity for 2012-13</b>				
Net gain on revaluation of investments	12(i)	10	-	10
Actuarial (loss)	3	-	(5,270)	(5,270)
Unfunded benefits paid		-	15	15
Net expenditure after interest		-	(20,799)	(20,799)
Total recognised income and expense for 2012-13		96	(26,054)	(25,961)
Scottish Government funding	18	-	19,676	19,676
<b>Balance at 31 March 2013</b>		96	4,187	4,283

The notes on pages 47 to 71 form part of these accounts.

## Notes to the accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012–13 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 2012–13 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 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 or short useful economic lives which realistically reflect the life of the asset (or both)  
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 Net Expenditure Account 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.

### 1.3 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.

### 1.4 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

### 1.5 Assets classified as held for sale

Assets classified as 'held for sale' are measured at the lower of their carrying amount or their fair value less costs to sell in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

### 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.

### **National Qualifications (NQs)**

NQs are National Courses, Standard Grades and National Units.

Entries for National Courses and Standard Grades are received from the commencement of each academic year (August).

National Courses are made up of three Units and one external assessment. For all entries made up to and including 31 March, the three Units are invoiced in April and the external assessment is invoiced in May. Of the three Units invoiced in April, one Unit is accrued into March based on the level of internal verification that will have taken place by 31 March in the academic year to 30 June.

Income from Standard Grade entries is recognised when it is invoiced. This is in May of each year when the external assessment has taken place.

Income is recognised on entry for Units that are not attached to a Course.

### **Higher National Qualifications (HNs)**

Entries for HNs, comprising Higher National Certificates (HNCs), Professional Development Awards (PDAs) and Higher National Diplomas (HNDs) and Units are received throughout the year and are invoiced in the month following the month of entry. Income is spread over the duration it takes the candidate to complete the Group Award on the assumption that the Group Award commenced at the beginning of the academic year (August) prior to entry.

It is estimated that for HNCs/PDAs, full-time candidates take 12 months to complete and part-time candidates 24 months to complete; and for HNDs, candidates take 24 months to complete.

Income from Units that are not attached to a Group Award is recognised in the month of entry.

### **Vocational Qualifications (VQs)**

Entries for VQs, comprising Group Awards and Units, are received throughout the year and are invoiced in the month following the month of entry. Income is spread over the duration it takes the candidate to complete the course. It is estimated that candidates take on average 12 months to complete and income is spread evenly over the 12 months from the month of entry.

Income from Units that are not attached to a 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.

## **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 VAT**

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

## **1.14 Pensions**

All eligible employees are entitled to membership of the Local Government Superannuation Scheme (LGSS). 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 LGSS are accounted for under the requirements of IAS 19 'Employee Benefits' (see note 3).

## **1.15 Changes in accounting policy**

There have been no material changes in accounting policy.

## **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 that it has not yet applied a recently issued amended version of IAS 19 Employee Benefits.

The amended IAS 19 makes important improvements by:

- ◆ Eliminating an option to defer the recognition of gains and losses, improving comparability and faithfulness of presentation
- ◆ Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income
- ◆ Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that SQA is exposed to through participation in those plans.

The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. SQA will apply the amended IAS 19 from financial year 2013–14.

## 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 level of entry charges 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 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.

	Awarding and related activities £'000	Accreditation £'000	Scottish Survey of Literacy and Numeracy £'000	Total £'000
<b>2012-13</b>				
Staff costs	26,275	896	435	27,606
Depreciation	2,479	-	-	2,479
Other expenditures	37,212	129	265	37,606
<b>Total expenditure</b>	<b>65,966</b>	<b>1,025</b>	<b>700</b>	<b>67,691</b>
Entry charges	39,705	-	-	39,705
EU funding	125	-	-	125
Other income	6,645	-	-	6,645
Scottish Government funding	17,951	1,025	700	19,676
	64,426	1,025	700	66,151
Funding credited to reserves	(17,951)	(1,025)	(700)	(19,676)
<b>Total income</b>	<b>46,475</b>	<b>-</b>	<b>-</b>	<b>46,475</b>
<b>Net expenditure</b>	<b>(19,491)</b>	<b>(1,025)</b>	<b>(700)</b>	<b>(21,216)</b>

	<b>Awarding and related activities £'000</b>	<b>Accreditation  £'000</b>	<b>Scottish Survey of Literacy and Numeracy £'000</b>	<b>Total  £'000</b>
<b>2011-12</b>				
Staff costs	26,165	916	336	27,417
Depreciation	1,646	-	-	1,646
Other expenditures	34,877	125	278	35,280
<b>Total expenditure</b>	<b>62,688</b>	<b>1,041</b>	<b>614</b>	<b>64,343</b>
Entry charges	37,850	-	-	37,850
EU funding	786	-	-	786
Other income	8,276	-	-	8,276
Scottish Government funding	20,472	1,046	630	22,148
	<b>67,384</b>	<b>1,046</b>	<b>630</b>	<b>69,060</b>
Funding credited to reserves	(20,472)	(1,046)	(630)	(22,148)
<b>Total income</b>	<b>46,912</b>	<b>-</b>	<b>-</b>	<b>46,912</b>
<b>Net expenditure</b>	<b>(15,776)</b>	<b>(1,041)</b>	<b>(614)</b>	<b>(17,431)</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 Staff numbers and related costs

Staff costs comprise:

	2012-13 Total	Permanently employed staff	Others	2011-12 Total
	£'000	£'000	£'000	£'000
Wages and salaries	22,755	20,817	1,938	22,438
Social security costs	1,551	1,551	-	1,474
Other pension costs	3,376	3,376	-	3,411
Severance and compensation	8	8	-	167
<b>Sub total</b>	<b>27,690</b>	<b>25,752</b>	<b>1,938</b>	<b>27,490</b>
Less recoveries in respect of outward secondments	(84)	(84)	-	(73)
<b>Total net costs</b>	<b>27,606</b>	<b>25,668</b>	<b>1,938</b>	<b>27,417</b>

The Local Government Superannuation Scheme (LGSS) is a group defined benefit scheme covering employees of the former Strathclyde Regional Council and other admitted bodies. Responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. 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*.

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £3,406,000 (2012: £3,359,000), consisting of £3,296,000 (2012: £3,250,000) to the LGSS Scheme and £110,000 (2012: £109,000) to the STSS Scheme. Included within other payables (note 16) are outstanding contributions of £383,000 (2012: £361,000) due to the LGSS Scheme and £nil (2012: £nil) due to the STSS Scheme at 31 March 2013.

Actuarial valuations for both schemes are prepared, with the last LGSS valuation to 2011 and the last STSS valuation being to 31 March 2009. Details of these valuations can be obtained from published reports.

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme within these financial statements as the Scottish Public Pensions Agency is unable to provide information to enable SQA to identify its share of the underlying assets and liabilities of the STSS at 31 March 2013. An actuarial valuation was carried out at 31 March 2009. The results of this valuation were rolled forward to give a liability of £23.6 billion at 31 March 2009. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

The SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGSS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 of 19.3% of pay until 31 March 2015. The STSS has set rates at 14.9% 2011–12, 2012–13 and 2013–14.

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

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:

	<b>2012-13</b> <b>£'000</b>	<b>2011-12</b> <b>£'000</b>
Current service cost	3,196	3,158
Interest on obligation	3,949	4,028
Expected return on plan assets	(4,388)	(5,011)
Past service (gain)/cost	-	143
Losses on curtailments and settlements	-	-
	<u>2,757</u>	<u>2,318</u>

The amounts recognised in the Statement of Financial Position are as follows:

	<b>2012-13</b> <b>£'000</b>	<b>2011-12</b> <b>£'000</b>
Present value of funded obligations	(99,370)	(80,688)
Fair value of employer assets	88,274	74,307
Net (under) funding in funded plans	<u>(11,096)</u>	<u>(6,381)</u>
Present value of unfunded obligations	(274)	(260)
<b>Net (liability)</b>	<u>(11,370)</u>	<u>(6,641)</u>
Amounts in the balance sheet:		
Defined benefit liability	(11,370)	(6,641)
Defined benefit asset	-	-
<b>Net (liability)</b>	<u>(11,370)</u>	<u>(6,641)</u>

The amounts recognised in the Statement of Changes in Taxpayers' Equity are as follows:

	<b>2012-13</b> <b>£'000</b>	<b>2011-12</b> <b>£'000</b>
Actuarial (loss)/gain arising on the defined benefit obligation	(12,089)	(2,255)
Actuarial (loss)/gain arising on the fair value of the plan assets	6,819	(4,843)
<b>Actuarial gain/(loss) recognised in the Statement of Changes in Taxpayers' Equity</b>	<b>(5,270)</b>	<b>(7,098)</b>

### **Average number of persons employed**

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

	<b>2012-13</b> <b>Total</b>	<b>Permanent</b> <b>staff</b>	<b>Others</b>	<b>2011-12</b> <b>Total</b>
Awarding and related activities	771	583	188	762
Accreditation	22	22	-	24
Scottish Survey of Literacy and Numeracy	8	6	2	9
<b>Total</b>	<b>801</b>	<b>611</b>	<b>190</b>	<b>795</b>

## 4 Other expenditures

	2012-13	2011-12
	£'000	£'000
Appointee fees	13,025	12,508
Property expenses	5,015	4,495
IT costs	2,836	2,582
Business development specialists' fees and expenses	3,160	4,698
Appointee expenses and related costs	2,129	2,058
Miscellaneous	1,956	339
Postage and telephone	1,835	1,629
PR, marketing and publications	1,809	1,293
Staff travel	907	774
Staff training	221	184
Staff subsistence	209	160
Miscellaneous staff costs	295	153
Catering for internal and examination procedures meetings	29	49
Staff related costs	1,661	1,320
Assessment stationery and certificates	1,498	1,315
Appointee release compensation	1,300	1,372
Equipment and supplies	705	999
Question paper production and printing	660	609
Board and committee expenses	17	63
	<u>37,606</u>	<u>35,280</u>

Included within Property Expenses is a notional charge of £1,538,000 (2012: £1,538,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £45,980 (2012: £48,920) relating to external audit fees and £49,725 (2012: £29,250) relating to internal audit fees.

Included within Miscellaneous is a notional charge of £850,000 for the remittance, to Scottish Government, of the proceeds from the sale of land and buildings at Ironmills Road which was classified as an asset held for sale at 31 March 2012 (note 13).

## 5 Entry charges

	2012-13 £'000	2011-12 £'000
National Qualifications:		
National Courses and Units	21,802	21,225
SCE Standard Grade	9,595	9,920
Late appeal charges	32	44
	<hr/>	<hr/>
	31,429	31,189
Higher National Qualifications	5,109	4,425
Scottish Vocational Qualifications	3,167	2,236
	<hr/>	<hr/>
	39,705	37,850

## 6 EU funding

European Social Fund	125	786
	<hr/>	<hr/>
	125	786

## 7 Other income

Commercial testing services	3,555	3,088
Consultancy, secondments and research	1,330	2,008
Streetworks Qualifications Register	745	1,001
Commercial events	361	872
Replacement certificate charges	208	211
Customised award charges	160	265
Royalty income	143	388
Miscellaneous income	103	421
Other interest income	21	-
Sale of publications	11	14
Income from investments for unfunded pensions	8	8
	<hr/>	<hr/>
	6,645	8,276

## 8 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(22)	(33)
Pension provision credit/(cost)	439	984
	<hr/>	<hr/>
	417	951

## 9 Property, plant and equipment

(i)	Leasehold building improvements	Information technology	Motor vehicles	Plant & machinery	Furniture & fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 April 2012	5,810	4,290	72	1,199	385	2,934	14,690
Additions	-	431	-	-	-	463	894
Reclassifications	-	-	-	-	-	(2,712)	(2,712)
Disposals	-	(395)	-	(661)	(348)	(33)	(1,437)
<b>At 31 March 2013</b>	<b>5,810</b>	<b>4,326</b>	<b>72</b>	<b>538</b>	<b>37</b>	<b>652</b>	<b>11,435</b>
<b>Depreciation</b>							
At 1 April 2012	1,340	3,413	43	953	351	-	6,100
Charged in year	388	674	15	87	9	-	1,173
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(395)	-	(661)	(347)	-	(1,403)
<b>At 31 March 2013</b>	<b>1,728</b>	<b>3,692</b>	<b>58</b>	<b>379</b>	<b>13</b>	<b>-</b>	<b>5,870</b>
<b>Net book value</b>							
At 31 March 2013	4,082	634	14	159	24	652	5,565
At 31 March 2012	4,470	877	29	246	34	2,934	8,590
<b>Asset financing:</b>							
Owned	4,082	634	14	159	24	652	5,565
Finance lease	-	-	-	-	-	-	-
<b>Net book value at 31 March 2013</b>	<b>4,082</b>	<b>634</b>	<b>14</b>	<b>159</b>	<b>24</b>	<b>652</b>	<b>5,565</b>
<b>Capital Additions</b>							
<b>Financing:</b>							
<b>Government Grant</b>	-	-	-	-	-	-	-
<b>Core Budget</b>	-	431	-	-	-	463	894
	-	431	-	-	-	463	894

	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 2011	3,188	4,314	72	1,192	419	1,573	10,758
Additions	2,552	71	-	58	37	2,255	4,973
Reclassifications	70	61	-	53	-	(894)	(710)
Disposals	-	(156)	-	(104)	(71)	-	(331)
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2012</b>	<b>5,810</b>	<b>4,290</b>	<b>72</b>	<b>1,199</b>	<b>385</b>	<b>2,934</b>	<b>14,690</b>
<b>Depreciation</b>							
At 1 April 2011	1,069	2,892	28	975	419	-	5,383
Charged in year	271	676	15	83	3	-	1,048
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(155)	-	(105)	(71)	-	(331)
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2012</b>	<b>1,340</b>	<b>3,413</b>	<b>43</b>	<b>953</b>	<b>351</b>	<b>-</b>	<b>6,100</b>
<b>Net book value</b>							
At 31 March 2012	4,470	877	29	246	34	2,934	8,590
At 31 March 2011	2,119	1,422	44	217	-	1,573	5,375
<b>Asset financing:</b>							
Owned	4,470	877	29	246	34	2,934	8,590
Finance lease	-	-	-	-	-	-	-
<b>Net book value at 31 March 2012</b>	<b>4,470</b>	<b>877</b>	<b>29</b>	<b>246</b>	<b>34</b>	<b>2,934</b>	<b>8,590</b>
<b>Capital Additions Financing:</b>							
<b>Government Grant</b>	2,552	71	-	47	37	1,128	3,835
<b>Core Budget</b>	-	-	-	11	-	1,127	1,138
	<b>2,552</b>	<b>71</b>	<b>-</b>	<b>58</b>	<b>37</b>	<b>2,255</b>	<b>4,973</b>

(ii) Depreciation and impairment charges

	<b>Note</b>	<b>2012-13 £'000</b>	<b>2011-12 £'000</b>
Depreciation charge for the year	9(i)	1,173	1,048
Amortisation charge for the year	10	1,306	598
Impairment charge		-	-
<b>Total charge for the year</b>		<b>2,479</b>	<b>1,646</b>

## 10 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2012	402	1,431	6,229	8,062
Additions	-	-	636	636
Reclassifications	-	-	2,712	2,712
Disposals	-	(105)	(125)	(230)
<b>At 31 March 2013</b>	<b>402</b>	<b>1,326</b>	<b>9,452</b>	<b>11,180</b>
<b>Amortisation</b>				
At 1 April 2012	244	1,351	5,382	6,977
Charged in year	79	65	1,162	1,306
Disposals	-	(105)	(125)	(230)
<b>At 31 March 2013</b>	<b>323</b>	<b>1,311</b>	<b>6,419</b>	<b>8,053</b>
<b>Net book value</b>				
At 31 March 2013	79	15	3,033	3,127
At 31 March 2012	158	80	847	1,085
Internally generated	-	-	-	-
Other	79	15	3,033	3,127
	79	15	3,033	3,127

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

<b>Cost or valuation</b>				
At 1 April 2011	199	1,383	5,528	7,110
Additions	-	-	247	247
Reclassifications	203	48	459	710
Disposals	-	-	(5)	(5)
<b>At 31 March 2012</b>	<b>402</b>	<b>1,431</b>	<b>6,229</b>	<b>8,062</b>
<b>Amortisation</b>				
At 1 April 2011	170	1,243	4,971	6,384
Charged in year	74	108	416	598
Disposals	-	-	(5)	(5)
<b>At 31 March 2012</b>	<b>244</b>	<b>1,351</b>	<b>5,382</b>	<b>6,977</b>
<b>Net book value</b>				
At 31 March 2012	158	80	847	1,085
At 31 March 2011	29	140	557	726
Internally generated	-	-	-	-
Other	158	80	847	1,085
	158	80	847	1,085

## 11 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.

## 12 Financial assets

	Note	31 March 2013 £'000	31 March 2012 £'000
<b>Non-current assets</b>			
Investments for unfunded pensions	12(i)	266	387
<b>Current assets</b>			
Investments for unfunded pensions	12(i)	132	-
		398	387

### (i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2011	373	1	374
Additions	108	119	227
Disposals	(110)	(120)	(230)
Revaluation	16	-	16
	387	-	387
Market value at 31 March 2012			
Additions	-	8	8
Disposals	-	(7)	(7)
Revaluation	10	-	10
	397	1	398
<b>Market value at 31 March 2013</b>			
Market value of investments maturing:			
Within 1 year	265	1	266
Outwith 1 year	132	-	132
	397	1	398
<b>Market value at 31 March 2013</b>			

### 13 Assets classified as held for sale

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Market Value brought forward	850	850
Disposals	(850)	-
Market Value carried forward	<u>-</u>	<u>850</u>

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', SQA's feuhold land and building representing its premises at Ironmills Road were reclassified as assets held for sale as at 31 March 2011. The sale of these premises was concluded on 31 May 2012.

### 14 Trade and other receivables

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	4,261	3,384
Other receivables	30	146
Prepayments and accrued income	10,821	12,446
	<u>15,112</u>	<u>15,976</u>

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Other central government bodies	92	84
Local authorities	78	61
NHS trusts	6	1
	<u>176</u>	<u>146</u>

Included within trade receivables is a bad debt provision of £428,000 (31 March 2012: £140,000). During the year £36,000 of bad debt was written off (2012: £41,000).

Included within other receivables are loans to staff amounting to £28,000 (31 March 2012: £28,000).

## 15 Cash and cash equivalents

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Balance at 1 April	830	-
Net change in cash and cash equivalent balances	428	830
Balance at 31 March	<u>1,258</u>	<u>830</u>

The following balances at 31 March were held at:

	<b>31 March</b> <b>2013</b> <b>£'000</b>	<b>31 March</b> <b>2012</b> <b>£'000</b>
Commercial banks and cash in hand	1,258	830
Short term investments	-	-
	<u>1,258</u>	<u>830</u>

## 16 Trade and other payables

	<b>31 March</b> <b>2013</b> <b>£'000</b>	<b>31 March</b> <b>2012</b> <b>£'000</b>
Amounts falling due within one year:		
VAT	47	27
Other taxation and social security	510	2,906
Trade payables	42	317
Other payables	438	408
Accruals and deferred income	7,962	6,357
	<u>8,999</u>	<u>10,015</u>

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

	<b>31 March</b> <b>2013</b> <b>£'000</b>	<b>31 March</b> <b>2012</b> <b>£'000</b>
Local authorities	-	6
	<u>-</u>	<u>6</u>

## 17 Provisions for liabilities and charges

		31 March 2013 £'000	31 March 2012 £'000
SQA Unfunded Pensions	17(i)	418	411
China Tax Provision	17(ii)	390	-
		808	411

### (i) SQA unfunded pensions

	£'000
Balance at 1 April 2011	393
Provisions not required written back	-
Provisions utilised in the year	(15)
Unwinding of discount	33
Balance at 31 March 2012	411
Provisions not required written back	-
Provisions utilised in the year	(15)
Unwinding of discount	22
<b>Balance at 31 March 2013</b>	<b>418</b>

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) China Tax Provision

During the year the Chinese tax authority conducted a review of the income that SQA earns in China and how this is classified in accordance with the Double Taxation Treaty that exists between the UK and China. The review initially concluded that SQA's income had been wrongly classified in the past and as a result additional tax, including tax due in previous years was now due. SQA have since received verbal confirmation that the original classification of income was, in fact continuing. However, as SQA does not have this confirmation in writing, a provision has been made for the full estimated amount of additional tax.

## 18 Government funding

	2012-13 £'000	2011-12 £'000
Scottish Government Scottish Survey of Literacy and Numeracy	700	630
Scottish Government accreditation	1,025	1,046
Scottish Government development	10,091	12,461
	11,816	14,137
Additional funding received	6,063	2,835
Capital funding received	259	3,638
Notional funding received	1,538	1,538
	19,676	22,148

## 19 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 18).

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

	31 March 2013 £'000	31 March 2012 £'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	8,040	9,189
	8,040	9,189

The Scottish Government entered into a 15 year lease in October 2011 with the owners of Lowden in Dalkeith. SQA are tenants 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 18).

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
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	13,488	14,524
	<hr/> 13,488	<hr/> 14,524

In addition SQA signed a 5 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.

## **20 Contingent liabilities**

During the year an action was raised against SQA in respect of potential damages for a claim of personal distress by a former employee. SQA is defending the litigation with the outcome not expected for the foreseeable future. The amount SQA is being sued for is £150,000 plus legal costs.

There were no other material contingent liabilities at 31 March 2013 (2012: £nil).

## **21 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.

## **22 Related-party transactions**

SQA is a non-departmental public body (NDPB) sponsored by the Scottish Government Schools Directorate Qualifications, Assessment and Skills Division, (SGSD).

The SGSD is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, there were no balances outstanding (2012: £nil). In addition, SQA has had material transactions with the Scottish Government Lifelong Learning Division, Employability and Skills Division, (SGLLD). At the year end, there were no balances outstanding (2012: £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	
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000
<b>Beaconhurst School</b> SQA Director, Dr Gill Stewart holds the position of Governor at the school	18	-	-	-	-	-
<b>Cardonald College</b> SQA Board Member, Susan Walsh, holds the position of Principal at Cardonald College	363	341	15	25	-	-
<b>Colleges Scotland</b> SQA Board Member, Susan Walsh, holds the position of a Lead Principal for Colleges Scotland	1	-	30	115	-	-
<b>Galashiels Academy</b> SQA Board Member, Kenny McKay, holds the position of Head Teacher at the school	77	84	-	-	-	-
<b>Jordanhill School</b> SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School and SQA Director, Linda Ellison is a Board Member there	55	54	-	4	-	-
<b>NHS Education for Scotland</b> SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	9	18	-	-	-	-

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due to/(from) SQA at 31 March	
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000	2013 £'000	2012 £'000
<b>Scottish Police Authority</b> SQA Chairman, Graham Houston, is a Board Member there	201	-	-	-	-	-
<b>Edinburgh College</b> SQA Director, Maidie Cahill, is a Board Member there	439	338	24	231	(38)	-
<b>Stirling Council</b> SQA Chairman, Graham Houston, is a Councillor with Stirling Council	494	504	-	-	-	-
<b>St George's School for Girls</b> SQA Board Member, Prof John Simmons is a member of the school's council, its governing body.	46	49	-	6	-	-

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 £29,000 (2012: £10,000) to the SCQF during the year. At the year end, £3,000 (2012: £nil) remained outstanding. In addition £3,000 (2012: £12,000) 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 (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

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

Signed by the authority of the Scottish Ministers

Dated 3/ January 2006