



# Annual Report and Accounts 2021–22

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# Welcome

These are the Annual Report and Accounts of the Scottish Qualifications Authority (SQA) for 2021–22. They provide an overview of the organisation and its activities during another challenging period.

The report gives a summary of our year's work with the many users of our services in schools, workplaces, colleges, training organisations and with professional bodies. These users include students, lecturers and teachers, trainees and trainers, parents, carers and employers.

SQA works toward a set of five outcomes that align with the Scottish Government's National Performance Framework. Our overall goal is to help everyone realise their full potential, and thus to support the economy, wider society, and the nation as a whole. We all benefit, individually, in our families and communities, and as a nation, from being part of a skilled and educated society. SQA exists to play its part in achieving this.

The Board would like to thank all those who help in SQA's work — including our own staff, our appointees, partners, customers and stakeholders. Your support is vital to our successes, and to our ability to meet challenges. This year we have continued to deliver our qualifications and services through the second full year of the global COVID-19 pandemic, and we have reviewed our strategic priorities in light of the Scottish Government's announcement that SQA will be replaced. We look forward to continuing to work with you as we face the future and do our utmost to continue to deliver for Scotland.



David Middleton CBE

Chair

Scottish Qualifications Authority

# A: Performance report

(The welcome statement from the Chair on page 1 forms part of this performance report)

## Overview

This overview section explains what SQA is, how we work, and what we have been doing over the period April 2021 to March 2022. As Scotland's accreditation and awarding body, SQA provides products, services and skills, and training and education — all of which have a positive impact on individuals, organisations, and society. We embed our values — progressive, enabling, and trusted — in all our work.

In the pages that follow we will outline SQA's purpose, how it functions as a business, and our aims and aspirations. We detail our strategic objectives and how we plan to achieve them, and we acknowledge the risks and challenges we face. We explain our role in education and training in Scotland (and beyond), and describe our work with other organisations that help Scotland's learners.

In the performance summary, we provide an overview of SQA's performance for the reporting period.

The performance analysis section of this report then expands on this overview. We relate our activities to the deliverables which measure our progress to achieving our strategic outcomes. This section provides more detail and figures, and serves as a context for the financial statements in section C.

## How statistics are used in the Annual Report

The Annual Report covers the financial year April 2021 to March 2022, and for most purposes the activities and related statistics described and analysed in the report fall within this period. The exceptions to this are:

- ◆ information on examination results for National Qualifications
- ◆ information about the verification of qualifications

These are based on the **academic year** 2020–21, which ended with the publication of results in August 2021.

Statistics for the awarding of qualifications which do not run to an annual academic timetable ending in August are based on the **financial year**.

## Statement from our Chief Executive

Throughout the period covered by this report, the global COVID–19 pandemic has continued to have a significant impact on how society operates and on the delivery of all aspects of education and training.

While the 2021 exam diet was cancelled by the Scottish Government, in line with public health advice, the 2022 diet has gone ahead, in addition to coursework. Vocational training, licence to practice qualifications and apprenticeships have continued to use and further develop the alternative arrangements introduced in 2020.

Building on the experience of the first year under COVID-19, we worked with partners across the education and training system, including learner and parent/carer representatives. We also worked with our learner panel to ensure the voices of young people are heard. This has helped to best address learners' needs, in Scotland and beyond, enabling them to realise their potential and achieve their ambitions.

Through the National Qualifications 2021 Group, we developed an alternative certification model for National 5, Higher and Advanced Higher courses, where grades were determined by schools and colleges, and quality assured by SQA. Together we continued to support the delivery of the alternative arrangements in place for internally-assessed National 2 to National 4 courses. Through the Higher National and Vocational Qualifications 2021 Group, we maintained our Higher National and vocational portfolio of work-related qualifications and our contract delivery obligations.

I am very proud to lead this national organisation made up of dedicated, committed and resilient professionals who have risen to the challenges and opportunities that the ongoing pandemic has presented.

I want to thank our appointees, the many education professionals and specialists who play many vital roles in the delivery and quality assurance of all SQA qualifications. Although circumstances meant that we called on a smaller number of appointees this year, their contribution was invaluable, as was their willingness to adapt to remote ways of working. I also want to thank Scotland's teachers, lecturers and support staff for their hard work, collaboration and dedication, working tirelessly to support their learners during this very difficult time.

In view of the anticipated significant disruption to learners in 2020–21, SQA worked and consulted with stakeholders, including practicing teachers and lecturers, to implement modifications to course assessment for all subjects. These aimed to free up teaching and learning time and to reduce teacher workload, while maintaining the validity, credibility and standards of qualifications. We continued to monitor the public health situation in schools and colleges, and introduced further modifications as appropriate.

We have provided support to teachers and lecturers in several ways. These include regular engagement with our Liaison Team, and with subject implementation managers, who are seconded teachers and lecturers. We have also provided a range of subject-specific guidance, question paper resources, and an extensive programme of Understanding Standards resources, to support teachers and lecturers at every stage of the alternative certification model.

We also developed an appeals service, informed by a public consultation. For the first time, learners could appeal directly to SQA for free, and were able to register online that they wanted to appeal.

As well as delivering the current portfolio of qualifications, we have continued our collaborative work with partners on the design, development and delivery of our Next Generation of Higher National Qualifications. We have also continued to expand our use of technology in support of qualifications and assessments, the enhancement of support services such as UShare and SQA Academy, and improvements to the accessibility of our digital content and services.

Amidst all this, our colleagues have continued to adapt their ways of working while coping, like everyone else, with the changes to their day-to-day life. Where public health restrictions allowed, we introduced some return to office working. We have found innovative ways to support staff and ensure they have the tools to enable them to complete their work, as well as having access to relevant and valuable personal development and health and wellbeing resources.

SQA is a presence in the lives of people of all ages and places across Scottish society. We know that learning can positively change lives, and SQA's extensive range of qualifications mark out the stages of learners' journeys from education and training into further study or progression through employment. Our qualifications also support employers in continuing to develop their workforce. In this way, we believe, we contribute to individual success in life, and benefit society.

We help to ensure that the skills, training, and education systems in Scotland are effective, and we are fully aware of our responsibility to maintain the accessibility and credibility of Scotland's qualifications system. In this way we support key public policy goals, such as widening participation, narrowing the attainment gap, and providing the people and businesses of Scotland with the skills they need for the future.

We seek to engage with all those we work with and support. We continue to gather feedback, evidence and analysis to understand how our qualifications, assessments and services are operating, and this informs how we decide to improve them. We also share these findings with the wider education system to inform their decision making.

We also work outside Scotland, where our qualifications and services continue to be in high demand, both in the rest of the UK and internationally. A range of contracts and consultancy projects help to reduce our overall reliance on the public purse. Although some of these activities have slowed down because of the pandemic, we



have continued to deliver to and support our customers as appropriate. Our work outside Scotland supports the Scottish Government's international agenda for the education sector, and it allows us to bring good practice back home, as international work helps us keep abreast of the changes and opportunities presented by the rapidly-changing global environment in which we operate.

In addition to delivering qualifications and assessments in these challenging times, SQA is also undergoing major change. Following the publication of the Organisation for Economic Co-operation and Development's (OECD) report on Curriculum for Excellence and the Scottish Government's announcement of its intention to replace SQA with a new qualifications body, Scottish Ministers announced a review of education by independent adviser Professor Ken Muir. We actively supported Professor Muir's work and directly engaged with him and his Expert Panel.

Following the publication of Professor Muir's report on Education Reform, the Scottish Government has indicated that the new qualifications body will be established after delivery of the national exam diet in 2024. A further review of qualifications and assessment led by Professor Louise Hayward, and a national discussion on education have also been announced by Scottish Ministers.

The transition process to the new qualifications body is underway, and SQA will make a full and positive contribution to the process that lies ahead. We will also contribute to Professor Hayward's review and the national discussion, drawing on our experience and expertise as Scotland's qualifications and accreditation body, and working in partnership with others across the education system. Whatever outcome emerges, it is critical that we all commit to maintaining the high standards that have long been the hallmark of Scotland's qualifications.

*Fiona Robertson*

Fiona Robertson  
Chief Executive  
Scottish Qualifications Authority

16 September 2022

## SQA's purpose and activities

SQA is the national accreditation and awarding body in Scotland.

### Awarding

As an awarding body SQA has developed, and continues to develop, maintain, and improve, a framework of qualifications gained at Scotland's schools, colleges, employers and training providers. These include:

- ◆ National Qualifications, studied at schools and colleges, such as National 1–5, Highers, and Advanced Highers
- ◆ Higher National Qualifications, often studied at colleges, made up of units which are qualifications in their own right, and which can serve as a bridge to further study at university, and are currently being redesigned under the 'Next Gen' project
- ◆ A range of vocational qualifications, developed with industry partners, and responding to perceived skills needs

A more detailed overview of SQA's range of qualifications can be found in our [Guide to Scottish Qualifications](#).

### Accrediting

As an accrediting body, SQA sets and maintains standards for many other awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications, which provide evidence that learners can do their jobs well (these can be studied in colleges or in the workplace). This role is similar to the role carried out by Ofqual in other parts of the UK. Given the distinct nature of the accrediting function, our activities in this area will be covered separately in this report.

SQA also plays an important role in supporting Foundation Apprenticeships and the wider Developing the Young Workforce policy, and our qualifications form part of the majority of Scotland's Modern Apprenticeships. Our accreditation function also makes an important contribution in this area.

### Business model and environments

SQA is an executive non-departmental public body that reports to Scottish Ministers and the Scottish Parliament. It is sponsored by the Scottish Government's Learning Directorate and employs nearly 1000 people. The Education (Scotland) Act 1996 sets out SQA's statutory remit and the governance arrangements to oversee SQA's distinct accreditation and awarding functions.

The quality, flexibility and relevance of our qualifications allow learners of all ages and levels to reach their full potential. Our portfolio meets the needs of Scottish employers in many sectors and plays a key enabling role in Scotland's strong, competitive economy.

We welcome and are responsive to feedback from all our customers and stakeholders, and we undertake research into the impact and effectiveness of our

qualifications. We also welcome new initiatives that look to support economic activity by establishing new qualifications — for example, by meeting skills gaps at various stages of career development.

In everything we do, we are conscious of our duty to operate efficiently to optimise the use of our resources. While SQA is not a commercial enterprise, our work is supported mainly by the entry fees charged for qualifications. We also use our core expertise to generate a positive net financial contribution from contracts and international projects, which reduces our draw on the public purse. In providing this set of charged-for products and services we continue to remember that our centres are our customers, and this ensures we deliver high quality customer service everywhere we operate.

Our entry fee and other income is supplemented by Scottish Government funding that is granted for agreed purposes.

SQA is successful when the system and network we are part of is successful. This means our relationships with a range of stakeholders are important to us. We work with many sectors of Scottish society, from schools, colleges, and universities, to industry, professional bodies, teaching unions and government. We work in close partnership with organisations such as Education Scotland, the Association of Directors of Education in Scotland (ADES), the Convention of Scottish Local Authorities (COSLA), Skills Development Scotland (SDS), and the Scottish Council of Independent Schools (SCIS).

SQA also provides statistical reports on the wide range of SQA qualifications. Our online statistics archive reaches back to 1986, and our publication schedule details when our latest statistical work will be available online.

The period under review in this report was dominated by the biggest challenge SQA has faced in its existence. As part of the UK-wide response to the COVID-19 pandemic, the 2020 and 2021 national exam diets were cancelled, and work was directed, in each case, to establishing an alternative method of certifying attainment for the many thousands of learners registered for our National Qualifications. This effort has drawn deep on the resources, resilience and commitment of all colleagues at SQA.

## **Organisational structure**

SQA's activities are directed by an Executive Management Team (EMT) consisting of the chief executive and the directors responsible for the major functions of the organisation. These functions include awarding our own qualifications, and accrediting and regulating the activity of other awarding bodies. This function is overseen by our Accreditation Committee, a statutory committee established by the Education (Scotland) Act 1996.

SQA's policy, and in particular our Corporate Plan, is developed by the EMT, with strategic direction provided by the non-executive members of the Board of Management, and in consultation with the Scottish Government. The EMT oversees the implementation of the plan, and provides regular progress reports for review by

the Board. The role of our Advisory Council, whose members are appointed by Scottish Government, is to represent our various stakeholders and consider and advise SQA on their needs and views in relation to our qualifications and awards. There is more detail on management structure, including committee membership, in the Accountability Report in section B below.

## Objectives and strategies

SQA's strategic objectives are embodied in our five outcomes, which we have published in our [Corporate Plan for 2020–23](#). They cover both our accreditation and awarding functions, and align with and support the Scottish Government's [National Performance Framework \(NPF\)](#).

They are intended to help us maintain, develop and continually improve the full range of our activities. These are the outcomes we continued to work towards during 2021–22:

- ◆ we provide a credible qualifications system
- ◆ we are flexible in meeting customer needs
- ◆ we have a sustainable business operating model that is appropriately resourced in order to deliver our remit now and in the future
- ◆ we are a thriving organisation, with quality jobs and a fair work environment for all our people
- ◆ we are trusted, respected and valued by our customers, stakeholders and partners

We work towards the outcomes within our wider corporate performance framework for 2020–23. This consists of a series of deliverables, identifying key corporate activities that SQA has prioritised for 2021–22. These fall into three broad categories:

- ◆ **Perform** — our ongoing, core activities
- ◆ **Plan** — where we take a step back to decide the right approach for future activities
- ◆ **Progress** — specific pieces of work which are key to our success

SQA's [Annual Business Plan 2021–22](#) outlines in more detail our priorities and deliverables in 2021–22 and how they contribute to achieving our five corporate outcomes for 2020–23. We updated our Corporate Performance Framework (Appendix 1) during the development of the Annual Business Plan 2021–22, providing a high-level summary how SQA's deliverables align to our outcomes and the Scottish Government's NPF.

## Key issues and risks

SQA continues to operate in a rapidly changing economic, political and commercial arena. SQA's corporate approach to identifying and evaluating risk considers the potential impacts on the organisation in the short, medium, and longer term. An

important part of SQA's corporate risk management approach is to put in place steps to mitigate or minimise the negative impacts of identified risks.

These were the significant risks affecting SQA in 2021–22:

Type	Description	Risk Appetite*	Key mitigations
People and Resources	Impact of COVID-19 and working from home	Balanced risk appetite	<ul style="list-style-type: none"> <li>◆ Provide support and practical help to staff.</li> <li>◆ Ensure appropriate resourcing.</li> <li>◆ Ensure key priorities defined and communicated.</li> </ul>
	Multiple demands on staff resource	Balanced risk appetite	<ul style="list-style-type: none"> <li>◆ Plan for required staff skills and numbers.</li> </ul>
	Impacts of the education reform on staff engagement, retention and wellbeing	Balanced risk appetite	<ul style="list-style-type: none"> <li>◆ Regular communication and engagement from Scottish Government, review groups and SQA leadership with staff and trade unions.</li> <li>◆ Business continuity plans reviewed on a regular basis.</li> <li>◆ Communication/marketing campaign supported by SG to promote SQA, our role, brand, and function</li> </ul>
Operational	COVID-19 disruption on qualifications delivery	Cautious risk appetite	<ul style="list-style-type: none"> <li>◆ Review 2021 delivery activities to minimise reliance on SQA's premises.</li> <li>◆ Monitor the Scottish Government advice.</li> <li>◆ Enhance our communications to centres and other stakeholders.</li> <li>◆ Engage with STA, DfT, DfE and HAUC UK to monitor impacts on contracts requirements and volumes.</li> </ul>
Financial	Income insufficient to cover costs	Minimal risk appetite	<ul style="list-style-type: none"> <li>◆ Carefully analysed budget.</li> <li>◆ Continue to work with the Scottish Government to ensure adequate funding.</li> <li>◆ Best Value programme.</li> </ul>

External/ Operational	Major incident disrupts operations	Minimal risk appetite	<ul style="list-style-type: none"> <li>◆ A range of contingency plans in place.</li> <li>◆ Audit of Disaster Recovery identified improvement actions.</li> <li>◆ Investment in network resilience.</li> </ul>
Reputational/ Operational	COVID-19 pandemic	Minimal risk appetite	<ul style="list-style-type: none"> <li>◆ Invoking Business Continuity Arrangements for immediate response.</li> <li>◆ Technological response to facilitate remote working.</li> <li>◆ Ensuring staff health and wellbeing at heart of decision making.</li> <li>◆ Establishment of workstreams to address cancellation of exam diets 2020 and 2021.</li> </ul>
Reputational	Mission critical system failure	Cautious risk appetite	<ul style="list-style-type: none"> <li>◆ SQA's investment proposal</li> <li>◆ Improved Disaster Recovery capability</li> <li>◆ Contingency Plans to mitigate critical systems failure(s)</li> </ul>

\*'Risk appetite' indicates the amount of risk SQA is willing to tolerate in pursuit of its outcomes — 'Minimal' means SQA prefers options with a low level of inherent risk in this area. 'Cautious' means a preference for safe delivery options with a low degree of residual risk. 'Balanced' means SQA is willing to assess all options in this area and will choose the approach most likely to be successful while delivering value for money.

## Risk management framework

All bodies to which the Scottish Public Finance Manual (SPFM) is applicable must operate a risk management strategy in accordance with guidance issued by Scottish Ministers. The SPFM sets out the general principles for a successful risk management strategy. An outline of the significant risks facing SQA are listed in the previous section (**Key issues and risks**).

SQA has a board-approved risk, opportunity and issues management framework, which is subject to continued review by the Board, Audit Committee, the newly formed Risk and Opportunity group and our internal auditors. A detailed account of SQA's risk management processes, including relevant training, can be found in the **Risk management** section of the governance statement, in Part B of this report.

## Going concern

The Scottish Government announced on 9 March 2022 that SQA would be replaced by a new qualifications body, which would be a non-departmental public body responsible for the delivery of SQA's awarding functions. Further work was

announced in relation to the future scope and organisation of SQA Accreditation. The Scottish Government commissioned Professor Ken Muir to prepare a report on Education Reform, and its statement in response to the report set out an indicative timeline for the new qualifications body to be established after delivery of the exam diet in 2024.

The Board of SQA has no reason to believe that future sponsorship and future ministerial approval will not be forthcoming, nor that there will be any reduction in support to SQA while it exists. Currently, a commitment is given by Scottish Government in writing prior to the start of the financial year to meet the total grant-in-aid requirements (both resource and capital) for the forthcoming financial year. The Scottish Government's Budget Allocation and Monitoring letter 2022–23 recognises that SQA will require additional core grant-in-aid to meet operational costs in addition to that provided for in the 2022–23 Budget Bill. Given this, it has been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS 19 and include an actuarial valuation of the pension scheme liability as explained in note 18 to the accounts.

To the extent that the pension deficit is not met from SQA's sources of income, it may only be met by future grant-in-aid from SQA's sponsoring department, the Scottish Government Education Reform Directorate. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

# Performance summary

The period of this report, April 2021–March 2022, was our second full year facing one of the biggest global public health emergencies of recent times. As in the previous year, despite these unprecedented challenges, we continued to make progress in delivering on our plans.


We are now in the second year of our three-year corporate planning period (2020–23), and with the support of colleagues across SQA and through engagement with EMT and the Board, we developed a Business Plan for the 2021–22 operating year in early 2021.

As we implemented our plan, our operating context changed markedly. At the beginning of June 2021 the Scottish Government announced in parliament that the role, remit, and purpose of Education Scotland and the SQA would be reviewed. On 21 June 2021, the OECD report on Curriculum for Excellence was published and the Scottish Government announced that SQA would be replaced, and Education Scotland substantially reformed.





In response to these changes, EMT, heads of service and teams reviewed SQA’s deliverables — the strategic priorities we undertake to deliver. They reflected on the challenges and priorities presented by the new circumstances, to be clear about what we can and cannot realistically achieve. Through this exercise, they identified 18 deliverables for us to work towards during the 2021–22 operating year. Some of these deliverables continue from last year, while some were added as we continued to adapt and deploy new and innovative ways to deliver for all our customers.

The resulting SQA [Annual Business Plan 2021–22](#) outlined in more detail our priorities and deliverables for 2021–22, and how they will contribute to achieving our five corporate outcomes for 2020–23. We have also updated our Corporate Performance Framework (Appendix 1). This framework provides a high-level summary of how SQA’s deliverables align to our outcomes and the Scottish Government’s NPF.

This performance report reflects our progress in this second year of our three-year corporate plan. The report is structured by each outcome, with activity under each of the eighteen deliverables set out in our Annual Business Plan 2021–22 and our [Corporate Performance Framework](#). Almost all our deliverables play an important part in more than one of our five outcomes, however each deliverable has a primary outcome it is linked to, and the report is set out in this way.

	We provide a credible qualifications system:
	• National Qualifications delivery to plan
	• Higher National, Vocational and International delivery to plan



	<ul style="list-style-type: none"> <li>• Conduct an evaluation of the awarding programme</li> </ul>
	<ul style="list-style-type: none"> <li>• Maintain, develop and improve our portfolio of qualifications</li> </ul>
	<ul style="list-style-type: none"> <li>• Positively engage with and support the Scottish Government Review of the Education Bodies</li> </ul>
	<ul style="list-style-type: none"> <li>• Deliver contracts in line with service level agreements</li> </ul>
	<ul style="list-style-type: none"> <li>• Accreditation delivery</li> </ul>
	<p>We are flexible in meeting customer needs:</p>
	<ul style="list-style-type: none"> <li>• Implement an operational excellence methodology for SQA</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop a research and analysis strategy</li> </ul>
	<p>We have a sustainable operating model that is appropriately resourced in order to deliver our remit now and in the future:</p>
	<ul style="list-style-type: none"> <li>• Ensure SQA is compliant with all legislative, statutory and regulatory requirements (including quals regulators)</li> </ul>
	<ul style="list-style-type: none"> <li>• Review and update all policies to ensure they are (i) up to date; (ii) consistently applied and (iii) equality impact assessed</li> </ul>
	<ul style="list-style-type: none"> <li>• Meet financial targets for (i) income and (ii) expenditure</li> </ul>
	<ul style="list-style-type: none"> <li>• Deliver ISO 9001 certification phase 1</li> </ul>
	<ul style="list-style-type: none"> <li>• Implement the duty of Best Value in line with the Scottish Public Finance Manual</li> </ul>
	<p>We are a thriving organisation, with quality jobs and a fair work environment for all our people:</p>
	<ul style="list-style-type: none"> <li>• Implement a Smarter Working Programme</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure high levels of colleague engagement</li> </ul>
	<ul style="list-style-type: none"> <li>• Deliver the people strategy</li> </ul>
	<p>We are trusted, respected and valued by our customers, stakeholders and partners:</p>
	<ul style="list-style-type: none"> <li>• Develop and deliver a communications strategy to build credibility and trust through deeper engagement and collaboration</li> </ul>
	<ul style="list-style-type: none"> <li>• Deliver SQA's Environmental Impact Strategy</li> </ul>

The performance summary section provides an overview of SQA's performance for the reporting period, specifically in terms of our qualifications, the services that we provide, our operational improvements, the ways in which we have engaged with our customers and the local community, and our intentions and ideas for the future. In the performance analysis section, which follows the summary, we give more detailed facts and figures about our activities over the year.

## Qualifications

The development and delivery of high quality, relevant and credible qualifications remains at the heart of SQA's work. Our ongoing development, improvement, and delivery of qualifications is aligned with our first outcome: 'We provide a credible qualifications system'.

The [Annual Statistical Report 2021](#) gives details of entries and results for all our qualification types in the 2020–21 academic year.

### National Qualifications

National Qualifications are mostly taken by learners in secondary schools and colleges, with almost everyone leaving school or college now having one or more National Qualifications.

### Vocational qualifications

SQA's wide portfolio of vocational qualifications responds to regional and national skills needs, and is developed in partnership with a range of industry partners. Our qualifications support the Scottish Government's drive to close the attainment gap, which is fundamental to the Developing the Young Workforce and Youth Employment strategies, and the Enterprise and Skills review and Apprenticeship programmes.

### Scottish Vocational Qualifications (SVQs)

SVQs play a vital role in the world of work and are based on National Occupational Standards. They can provide a successful candidate with a pathway to a job, and an employer with a guarantee of a new employee's competence. They can also play a part in regulating and professionalising an area of work, and have a core role in Modern Apprenticeships.

Many people study SVQs in the workplace while carrying out their normal day-to-day job. There are usually no formal written exams. People doing SVQs collect and submit evidence, usually from their own work.

### Higher National Qualifications

Higher National Qualifications are developed in partnership with colleges, universities and industry. The Higher National family of qualifications includes both Higher National Certificates (HNCs), which usually take one year to complete, and Higher National Diplomas (HNDs), which usually take two years. There is a huge range of subjects at HNC and HND, from Counselling and Supply Chain Management, to Forestry and Trade Union Organising. They give proof of both the

practical skills needed to do a job, including soft skills, and the theoretical knowledge that supports the application of the skills.

Certain HNCs allow direct entry into the second year of a degree course, and some HNDs allow direct entry into the third year. SQA has entered into agreements with some professional bodies who recognise HNCs and HNDs as partial fulfilment towards their entry requirements.

SQA works in partnership with Scotland's colleges in meeting the needs of learners, local communities, regional employers and the wider economy. Our team of regional managers support our work with colleges, and we also work closely with College Development Network and Colleges Scotland to develop vocational qualifications and meet the requirements of the Developing the Young Workforce youth employment strategy. We also respond to needs in the college sector with representation on planning groups and being actively involved in the network itself.

### **NextGen: HN**

We have continued our 'HN Next Generation' project, which is developing the next generation of Higher National qualifications. Working closely with key stakeholders, in particular Scotland's colleges and Skills Development Scotland, this work recognises the impact on assessment and qualifications of:

- ◆ the digital revolution
- ◆ the changing economy
- ◆ changes in the education landscape
- ◆ changes in the learner journey

Reflecting these changes, we are developing new approaches to HNC/D design which place meta-skills at the heart of the new qualifications. This recognises the critical part these skills will play in enabling learners to thrive whatever the future holds for them.

### **Awards**

SQA Awards sit on the [Scottish Credit and Qualifications Framework](#) (SCQF) at Levels 1–12.

They are designed to be as flexible as possible to meet a defined purpose, which may be broad or specialist, such as:

- ◆ recognition certification for single-unit awards
- ◆ specialist awards to provide certification for a specific programme
- ◆ recognition of half- or one-day courses and flexible programmes
- ◆ flexible awards for vulnerable learners

At SCQF levels 2 to 6, there are Awards that recognise wider achievement and develop skills in areas such as Barista Skills, Mentoring and Modern Languages for Life and Work.

National Progression Awards (NPAs) (also at SCQF levels 2 to 6) are short programmes of learning designed to assess a defined set of skills and knowledge in specialist vocational areas. They link to [National Occupational Standards](#), which are the basis of Scottish Vocational Qualifications (SVQs). These awards are mainly used by colleges for short programmes of study.

Professional Development Awards (PDAs) are principally designed for those already in a career or vocation who wish to extend, broaden or enhance their skills in a particular area, though some PDAs are designed for those wishing to enter employment. PDAs have specific aims that relate to occupational areas. They are linked to [National Occupational Standards](#) and sit on the [Scottish Credit and Qualifications Framework](#) at levels 6 to 12.

### **Skills for Work (SW)**

Skills for Work courses offer opportunities for learners to acquire critical generic employability skills through a variety of practical experiences linked to a particular vocational area such as Creative Industries, Laboratory Science and Uniformed and Emergency Services.

### **Customised Awards**

SQA develops Customised Awards that are tailored to the requirements of particular employers and occupations.

## **Communications**

SQA continually seeks to improve its engagement and collaboration with learners, parents/carers, education practitioners, customers and stakeholders. We strive to listen to what our customers and stakeholders need; create clear, concise, timely and relevant communications; and connect with our audiences to add value to SQA's qualifications and services.

Our work includes seeking feedback from those we serve and those we work with and using this to streamline qualifications development and course documentation, and to improve how we keep them informed and engaged.

We actively gather insight from a wide range of audiences, and this work continued in 2021–22 through the work of our Liaison Team, regional managers, subject implementation managers and qualification support teams. Members of our Advisory Council, who represent many of our stakeholders, also continue to provide invaluable insight and support. In addition, our regular 'pulse surveys' of teaching professionals, learners, parents and carers help us to gain a picture of what different groups think about important issues.

The SQA learner panel helps us engage directly with young people, to understand how they want us to communicate with them, and to work collaboratively to meet their needs. This has been particularly important as we have navigated the ongoing changes and challenges brought about by the global pandemic.

At the same time, the continuation of the National Qualifications 2022 (NQ22) group has given us a forum to ask questions of colleagues across the education sector, gathering insight and feedback that has made a positive contribution to our work.

A programme of continuous improvement takes place across our digital channels. It has included changes to [sqa.org.uk](https://sqa.org.uk) based on user feedback, new versions of our mobile study apps for learners, improvements to our interactive chatbot to support stakeholders, and further enhancements to our past papers service and site search. Our aim is to make our website as easy as possible for people to use.

We have expanded the ways we use digital technologies to engage with people and enhance our products and services, including participating in a series of webinars for teachers, lecturers and parents/carers and providing a live Q&A session on Facebook for learners and parents/carers.

## **Quality assurance**

SQA and centres delivering SQA qualifications continue to share responsibility for the quality assurance of internally-assessed elements of qualifications.

External verification of SQA qualifications normally involves visiting centres to check that internal assessment meets the appropriate standards. Facilities, staff and processes are also verified on separate systems verification visits. Due to COVID-19 and travel restrictions, there have been no visits or events other than remote meetings and remote verification events where appropriate.

SQA works with centres and other partners to protect the credibility of the qualifications system. Concerns that assessment standards may not be applied consistently can put the value of our qualifications at risk, and negate the hard work of our candidates. To avoid this, we ensure that our processes and qualifications are designed to minimise any potential for malpractice, and ask centres to do the same. All allegations of malpractice are investigated consistently, fairly and impartially.

## **Appointees**

In a normal year SQA engages thousands of education professionals and specialists from outside the organisation. For example, as many as 15,000 appointees supported the development, delivery, and certification of our qualifications in the academic year 2018–19, before the pandemic. With the cancellation of the 2021 NQ exam diet, we called on the services of only a small number of senior appointees for the Alternative Certification Model. For the 2022 diet, as exams are due to take place once more, we have been engaging the services of the same number of appointees as we did pre-pandemic.

As in the first year of the pandemic, on-site verification of vocational qualifications such as HNs and SVQs was replaced by remote verification, and virtual quality assurance was used, involving over 500 HNVQ appointees.

We are enormously grateful to all our appointees, particularly in this difficult period.

## **Apprenticeships**

In line with our Outcome 'We provide a credible qualifications system', SQA continues to provide a wide range of vocational qualifications to meet local industry requirements. SVQs, drawn up by people from industry, commerce, and education, are often the key component of Modern and Foundation Apprenticeships, and provide direct access into employment.

### **SQA apprentices**

As a Young Person's Guarantee employer, we have continued to support the development of Scotland's young workforce through our qualifications and our apprenticeship programmes. This year we hosted six modern apprentices on our one-year Business and Administration apprenticeship programme, with five out of six securing sustainable employment. We also hosted two modern apprentices on our two-year Business and Administration apprenticeship programme within our Business Systems directorate.

Supported by external assessors and in-house career development mentors, our apprentices used their time on the programme to identify their strengths and career ambitions, and develop the skills, knowledge, and experience for an administrative role within SQA or elsewhere. This year we were also delighted to welcome one of our previous Modern Apprentices as a qualified career development mentor.

We also continued to work in collaboration with the University of Glasgow to support two Graduate Apprentices through a four-year degree programme with relevant and diverse project-based work experience.

## **Services**

SQA provides a number of services for organisations, businesses and governments, including Customised Awards, consultancy, and contracts. These contribute to fulfilment of SQA's Outcomes:

- ◆ We are flexible in meeting customer needs
- ◆ We have a sustainable business operating model that is appropriately resourced in order to deliver our remit now and in the future

### **Contract services**

SQA continues to provide a wide range of innovative contract services on behalf of UK Government clients, including the Home Office, Department for Education, Department for Transport.

## **International engagement and co-operation**

There continues to be demand globally for SQA's qualifications and services, though this has slowed down in most regions due to the COVID-19 pandemic. We offer our qualifications through SQA centres in a wide range of countries. We also work in co-operation with governments and international bodies on projects to develop and improve education, skills and training. This work supports the Scottish Government's

international vision (as currently outlined in [Scotland's Global Affairs Framework](#) and [Vision for Trade](#)), Scotland's place in the world, and education as a key sector. It also enables SQA to reduce its draw on the public purse.

## **Customer and community engagement**

SQA seeks to build and reinforce relationships with those who use our services, and also to play an active part in our local communities in Scotland.

SQA staff also contribute to our local communities by undertaking a range of volunteering activities, though this has been significantly curtailed due to lockdown restrictions.

SQA sponsors many other events, projects and awards during the year. Building and strengthening partnerships, and recognising achievement and innovation, contribute to improving education and training across Scotland, and to supporting learners and learning in all sectors.

## **Our people**

As a provider of products and services, and as an employer, SQA puts people at the heart of everything it does. Equality is a key consideration in qualifications as it is for the people who work with us. Impact assessments are carried out on new and existing ventures.

### **SQA staff networks**

Equality is at the heart of all we do, and this includes caring for our staff. We recognise that people perform better when they feel their best, and when they can be themselves. To help achieve this, and in direct alignment with our outcome 'We are a thriving organisation, with quality jobs and a fair work environment for all our people', SQA now has several staff support networks. These networks provide colleagues with an opportunity to come together to share their experiences and ideas, and offer peer support and guidance. They also provide a forum for consultation and to inform policy development.

Our five staff networks: ACE (Appreciate Culture and Ethnicity) Network, Disability Network, Parents and Carers Network, Rainbow Network and Women's Network, are critical to building a sense of belonging and have been particularly crucial during the period of remote working.

### **Volunteering**

As part of our collective responsibilities to the communities in which we live and work, SQA employees can use 21 office hours each year for practical volunteering activities. SQA encourages staff to volunteer by acknowledging individual efforts in staff Performance Management Reviews. In the period covered by this report, 28 colleagues used a total of 214 hours.

## **Corporate parenting**

We demonstrated our continuing commitment to corporate parenting by ensuring our recruitment process is as inclusive and accessible as possible to all applicants. Apprenticeship and work experience opportunities are promoted via various networks to reach as many care-experienced young people as possible.

Although we were again unable to hold an in-person celebration of the successes of care-experienced young people, we produced a virtual celebration instead, as a key part of National Qualifications Results Day in August 2021.

## **Equality and diversity**

Equality and diversity (E&D) considerations are embedded within all our decision-making procedures. All committee papers will include consideration of E&D impacts as a standard part of the governance process. We actively consider E&D impacts in new or revised policy or practice, and provide online training in E&D and Equality Impact Assessment (EqIA) to support staff. In September 2021 SQA entered into a Section 23 Agreement with the Equality and Human Rights Commission (EHRC) for a period of two years to improve our practices in compliance with the Public Sector Equality Duty which will be monitored periodically by the Commission.

## **Accreditation**

As well as providing qualifications, SQA has a distinct accreditation function, which is to set and maintain standards for other awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications and licence-to-practise qualifications. The accreditation function is a separate part of SQA, and is accountable to the Accreditation Committee, established by the Education (Scotland) Act 1996.

## **Planning for the future**

The SQA Change Programme is a multi-phase rolling programme with a lifecycle of more than five years. It aims to transform the organisation and the way we deliver our services, and the support we provide to those we work with both inside and outside SQA. The continued impact of the pandemic and the requirement for an Awarding Programme to deliver in 2022 has meant the Change Programme has remained on hold during the period of this report, as resources have been focused on awarding.

At the same time, the particular demands of delivering awarding programmes during the pandemic have contributed significantly to technical and digital advances in how we deliver our services and interact with our stakeholders. We have established new secure ways for candidates and centres to interact with SQA systems and submit digital evidence to SQA, including a digital upload service, appeals registration service and incomplete evidence service. We have established a robust digital platform for communications and to deliver remote events using MS Teams and SharePoint. This allows training and collaboration with appointees and other stakeholders, and enables other required processes, without face-to-face meetings.



# Financial performance

## Financial overview

The results for the year to 31 March 2022 are given in the attached accounts (see section C), which have been prepared in accordance with the 2021–22 Government Financial Reporting Manual (FReM).

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

Given the operating environment facing the organisation, the financial position in 2021–22 had to be closely managed throughout the year in partnership with Scottish Government.

## Performance against Departmental Expenditure Limit (DEL) in 2021–22

Performance	Final DEL £m	Actual drawdown £m	(Under allocation) £m
Resource DEL	25.812	18.678	7.134
Capital DEL	2.500	2.500	NIL
<b>Total DEL</b>	<b>28.312</b>	<b>21.178</b>	<b>7.134</b>
Ring-fenced DEL	3.759	1.248	2.511
Annually Managed Expenditure	5.325	(23.929)	29.254
HMT Resource	NIL	(0.588)	0.588
<b>Total</b>	<b>37.396</b>	<b>(2.091)</b>	<b>39.487</b>

## Departmental Expenditure Limit

	£m
Total Net Expenditure per SOCNE	(33.111)
Add: Capital DEL	2.500
Add: Annually Managed Expenditure (actuarial gain)	34.776
Less: Return of grant not required	(6.256)
<b>Total</b>	<b>(2.091)</b>

## Annually Managed Expenditure

Post-employment benefits (pensions) are accounted for using IAS 19. Each year, an actuarial calculation is carried out and SQA must make provision on our Statement

of Comprehensive Net Expenditure (SOCNE) to reflect its share of the movement in overall provision. SQA's surplus for pensions in 2021–22 was £34.776m, with the previous year seeing a deficit of £23.563m. Any surplus/deficit in relation to pensions is recorded through Annually Managed Expenditure (AME) in the table above. Full supporting information and calculations are in note 18 to the accounts.

### **HM Treasury Resource**

This relates to the employee benefit accrual which takes into account the additional days annual leave carried forward by staff. The increase is a direct consequence of the COVID-19 pandemic, with increased levels of leave carried forward. The small reduction in 2021–22 is due to a reduction in the average number of days carried forward by staff.

### **Key DEL income and expenditure categories**

#### **Income (2022 £47.031m, 2021 £45.247m)**

SQA's income is generated from charging for the delivery of its products and services. Total income of £47.0m was earned in 2021–22, being entry charges £40.1m (2020–21 £40.0m) and other income £6.9m (2020–21 £5.2m).

The increase in Other income of £1.7m is mainly within our Contract Operations area, which saw an increase of £1.2m and is returning to pre COVID-19 levels. The bulk of the remaining increase was seen in our customised awards accounting for £0.4m of the total increase.

#### **Expenditure (2022 £79.207m, 2021 £74.783m)**

Operational costs were £79.2m, being staff costs £54.0m (2020–21: £47.7m); other expenditure £24.0m (2020-21: £24.0m); and depreciation £1.2m (2020-21: £3.1m). Most of the expenditure exceeding our annual income of £47.0m is funded through our Resource DEL total of £18.678m.

#### **Staff Costs (2022 £53.958m, 2021 £47.646m)**

As disclosed in the Remuneration and Staff Report, total staff costs of £55.026m were incurred in year, of which £1.068m related to capitalised employee costs. The bulk of the increase in staff costs is attributable to an increase in IAS pension costs of £6.3m. The remainder of the increase is due to an increase in salary costs and social security payments in line with the Scottish Government pay policy.

#### **Other Operating Expenditure and Taxation (2022 £24.001m, 2021 £24.029m)**

Other expenditure decreased slightly by £0.028m from 2020-21. This expenditure is consistent with the previous year.

#### **Depreciation (2022 £1.248m, 2021 £3.108m)**

Depreciation and amortisation costs of £1.248m represent a reduction of £1.860m over the previous year. The biggest reason for this reduction compared to the previous year is a w/back of depreciation for assets revalued in the year of £2.073m (2021: £0.608m). The remainder of the reduction is due to assets reaching the end of their useful life coupled with a slight reduction in the addition of new assets.

## **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the year totalled £0.158m, which was used to purchase IT hardware.

## **Intangible assets**

Expenditure on intangible assets during the year totalled £1.898m. This was used to acquire IT software (£0.696m) and to develop assets under construction (£1.202m), which mainly consist of new system implementations. Total capital spend includes £1.068m of staff costs which were capitalised in developing the assets.

## **Auditors**

The accounts, for the year ended 31 March 2022, are audited by Audit Scotland, who were appointed by the Auditor General for Scotland. Further details on audit remuneration can be found in note 4 to the accounts.

## **Disclosure of information to auditor**

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

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

Statements of expenditure for 2021–22 in relation to the following can be found on SQA's website:

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

## **Supplier payment policy**

SQA aims to pay suppliers within 10 days of receipt of a valid invoice and SQA achieved 90% in 2021–22 (96% 2020–21).

# Performance analysis

This section of the report explains how we measure our performance, then expands on the areas covered in the performance summary, providing more measurable detail and statistics. This section will also detail our equality and environmental endeavours, as well as our statutory obligations. The performance analysis provides a context for the financial statements in the final section of this report.

## COVID-19 impact on our delivery

The period of this report was entirely under the COVID-19 pandemic. As in 2020, the annual exams of 2021 were cancelled, and the delivery and assessment of all other qualifications were severely disrupted. As in 2020, we continued to deliver our services to schools, colleges and training providers — both domestically and internationally — using new and innovative approaches. Building on the experience of the first year under COVID, we supported the planning and delivery of Awarding 2021, and maintained our HNVQ portfolio of work-related qualifications and our contract delivery obligations.

Cancellation of exams in 2021 and the continuation of remote learning led us to reflect on the experience of 2020 as we developed our approach to assessment and certification for 2020–21. We drew on views and expertise across the whole education system, to try to best address learners' needs in unprecedented times. We worked on this with the NQ 2021 and HNVQ 2021 Groups, which represent key stakeholders from across the education system, including learner and parent/carer representatives. We also continued to work with our learner panel to include the voices of young people as we develop our approach.

All colleagues at SQA continued their work despite the challenges faced by most organisations of evolving changes and reduced staff. We continued to support staff to ensure they have the tools to enable them to complete their work, as well as having access to relevant and valuable personal development and health and wellbeing resources. We have planned and started to implement measures for a future of hybrid working, where colleagues seek an appropriate balance between office and home-based working.

## Changes to SQA

At the same time as continuing to deliver our range of qualifications within the restrictions imposed by the pandemic, SQA itself is undergoing major changes. In March 2022 the Scottish Government announced that SQA would be replaced by a new qualifications body, which would be a non-departmental public body responsible for the delivery of SQA's awarding function. This follows from the OECD review of Curriculum for Excellence (June 2021), and Professor Ken Muir's report on Education Reform (March 2022). A further review of qualifications and assessment, from Professor Louise Hayward, is due to report in December 2022. The Government's indicative timeline foresees the new qualifications body being established after delivery of the national exam diet in 2024, and the transition process to the new body is underway.

## **SQA Change Programme**

The SQA Change Programme is our rolling programme of improvement to the systems that support our business activities. This underlines our commitment to the strategic outcomes.

In line with the Scottish Government's Digital First initiative, the SQA Change Programme is using technology to improve service delivery, improve communication with our customers, create efficiencies in our processes, and ultimately make it easier to do business with us. The Change Programme is monitored in accordance with the Scottish Government Technology Assurance Framework. Due to the ongoing COVID-19 pandemic and the need to continue to prioritise awarding programmes into 2021–2022, Phase 2 of the transformation programme is on hold.

## **Measuring performance**

SQA's work is guided by our rolling three-year Corporate Plan. This is developed by the Executive Management Team, with strategic direction provided by the non-executive members of the SQA Board of Management and, in line with ministerial guidance, is approved by Scottish Ministers. It has been developed and is regularly updated to align our activities with Scotland's National Performance Framework. The [2020–23 Corporate Plan](#) includes the five outcomes we worked towards in the period covered by this report.

## **Progress towards our outcomes**

To help us deliver the mission embodied in our outcomes, we have developed specific deliverables, each supported by one or more key indicators. These indicators are a mix of qualitative and quantitative measures, and are reviewed regularly by SQA's Executive Management Team. This allows us to monitor performance as we move towards our outcomes. Our progress is overseen by SQA's Performance Committee, a subcommittee of the SQA Board of Management. Matters of interest or concern are highlighted by the committee for the attention of the Board of Management. Key areas of the business and our performance are also reviewed at each SQA Board of Management meeting.

In what follows we discuss our progress towards the deliverables for each outcome.

## **Outcome 1: We provide a credible qualifications system**

**What this means:** SQA's mission is to provide qualifications which give credible recognition of people's skills and knowledge, and so support their choices and progress in life and work. This means that SQA must develop a range of qualifications to support people at different stages in their education, training and work. These qualifications must also meet the present and future needs of the Scottish economy. Maintaining clear standards of assessment is vital to the credibility of SQA's qualifications and to public confidence in the system.

SQA takes the same approach when we operate outside of Scotland. Wherever SQA is active, we ensure we play our part in delivering credible qualifications — taking what we already know to new markets and bringing back to Scotland any good practice we discover there. In this section we cover the following deliverables:

- ◆ National Qualifications delivery to plan
- ◆ Higher National, vocational and international delivery to plan
- ◆ conduct an evaluation of the awarding programme
- ◆ maintain, develop and improve our portfolio of qualifications
- ◆ positively engage with and support the Scottish Government review of the education bodies
- ◆ deliver contracts in line with service level agreements
- ◆ accreditation delivery

At the heart of our work as an awarding body is SQA's comprehensive portfolio of qualifications, which are taken in schools, colleges, and through training providers. These play a vital part across Scotland's economy and social fabric, in sectors such as Food and Drink Manufacturing, Health and Social Care, Land Based and Environment, Computing, Software and IT, and Personal and Professional Development. SQA's work as a provider of qualifications meets our strategic outcome: 'We provide a credible qualifications system'.

### **National Qualifications delivery to plan**

Development and delivery of each year's main session (or 'diet') of National Qualifications forms a major part of meeting our first strategic outcome. Every year, detailed planning must be in place to ensure accurate and on-time delivery at all stages so that we can deliver to the strict deadlines imposed by our published timetable and annual certification day. The fundamental performance indicator here is completing all the preparatory work, including any major revisions and innovations, to an agreed schedule.

Progress is closely tracked within the various contributory processes, and also in quarterly reviews and Board of Management meetings.

COVID-19 continued to impact on the delivery of qualifications in the 2020–21 academic year. There was a clear need for a modified assessment model to be in place, both because of the likelihood of the exam diet being cancelled, as in 2020, and the continuing disruption to teaching. This model would be able to benefit from

the lessons learned in 2020 by adopting a different approach. Consequently, working with stakeholders to facilitate co-creation, SQA developed the 2021 Alternative Certification Model (ACM) to enable the certification of National Qualifications in August 2021.

This was based throughout on the same three core principles underlying the ACM developed for certification in August 2020:

- ◆ fairness to all learners
- ◆ safe and secure certification of our qualifications, while following the latest public health advice
- ◆ maintaining the integrity and credibility of our qualifications system, ensuring that standards are maintained over time, in the interests of learners

We also took a new approach, in response to the extraordinary circumstances, and applied what had been learned from the 2020 examination diet. SQA carried out a review of all course content and assessment requirements for each National Qualification. Following a widespread consultation with learners, parents, carers, teachers, lecturers, subject specialists, and other stakeholders, including professional associations, that generated over 23,000 responses, SQA was able to reduce the amount of assessment required across all qualifications. This lowered the assessment burden for every learner and teacher. The 2021 model was based on teacher judgement, with teachers supported to make judgements based on evidence produced by learners, and centres given flexibility in how to assess their learners. Centres were required to provide SQA with these provisional results by 25 June 2021. These results were not adjusted or amended in any way by SQA and formed the certificated results issued to learners on 10 August 2021.

SQA issued results certificates to 136,845 National Qualifications candidates across Scotland on 10 August 2021 (2020: 134,853). There were 819 unique qualifications with resulted entries in this academic session (2020: 644), including Awards, National Certificates, National Progression Awards, Skills for Work and National 2 to Advanced Higher courses. These were in a wide range of subjects which are designed to suit all learners. These include National 1–National 5, Higher and Advanced Higher.

### **Appeals**

The 2021 ACM also provided an appeals service. This appeals service was informed by a public consultation which opened in March 2021 and received 1,110 responses. It was also discussed in detail with stakeholders via the National Qualifications working and steering groups and with SQA's Learner Panel. Of the 519,429 entries in 2020–21, there were 3,490 requests for an appeal on the grounds of academic judgement, unresolved administrative error or discrimination by centres. This can be further refined as:

- ◆ 3,265 entries requested an appeal on the grounds of academic judgement (93.55% of all requests).

- ◆ There were 30 appeals on the grounds of an unresolved administrative error (0.86%).
- ◆ There were 195 appeals on the grounds of discrimination by centres (5.59%).

Across the three available grounds, 1.8% resulted in a grade change (62 of 3,490 requests) — 49 upgrades and 13 downgrades.

In 2021, for the first time, learners could appeal directly to SQA for free and were able to register that they wanted to appeal from Friday 25 June. Appeals were processed with the support of schools, colleges and training providers after learners received their results in August.

As there were no standardised assessments in 2021, the appeals process required a different approach. Any evidence supplied in support of an appeal request was considered closely by SQA appointees — practising teachers and lecturers — who reviewed materials against the broad assessment requirements of the course. The starting point for the review was that the judgements of schools, colleges, and training providers were fair and within acceptable tolerances — only if the appointee discerned a significant and material difference was a change in grade recommended.

### **Understanding Standards**

The Understanding Standards programme supports the teachers and lecturers who deliver SQA qualifications. The programme is designed to help teachers and lecturers develop their understanding of the standards required for assessment, which aligns with Outcome 1: 'We provide a credible qualifications system'.

The majority of material published during session 2020–21 remained relevant to providing additional support to teachers and lecturers for session 2021–22, as did already published candidate evidence and commentaries.

Additional Understanding Standards activity, including live webinars and the publication of new audio and video resources, complemented the range of material already available. Teachers and lecturers were kept informed about any newly published materials and webinar sessions through regular updates in SQA News.

### **Higher National, Vocational and International delivery to plan**

#### **Delivering HN and SVQ qualifications**

SQA's quality assurance of vocational qualifications ensures that the centres that deliver them assess candidates in line with national standards, and that assessment decisions comply with our quality assurance criteria.

The number of verification visits, and the decisions made by external verifiers, are carefully monitored, as is the resolution of any issues that emerge. Verification performance of HN and vocational qualifications has remained consistent over the previous four periods. For the period April 2021-March 2022, 1730 verification activities were completed (for comparison: 2020–21: 427 activities). Of the 1730 activities, 1671 (96.5%) fully met national standards.



## Vocational qualifications

In addition to NQs, SQA offers a wide range of qualifications that help people progress on their individual learning journeys. These include:

- ◆ Scottish Vocational Qualifications (SVQs)
- ◆ Higher National Qualifications — Certificates (HNCs), and Diplomas (HNDs)
- ◆ National Progression Awards (NPAs)
- ◆ Professional Development Awards (PDAs)
- ◆ Skills for Work (SfW)

Our [Guide to Scottish Qualifications](#) gives more information on these qualifications and what they could lead to.

The following table summarises recent development/revision of vocational qualifications in the period covered by this report:

	HNC/D, PDA, ACD	Regulated Qualifications	AWDs, NPAs and NCs	Total
New course/group award	23	12	9	44
Revalidation/re-accreditation	11	24	3	38
Withdrawal	19	24	8	51

New or revised qualifications include NC Shipping and Maritime Operations level 6, NPA Tenancy level 4, PDA Bricklaying level 6, SVQ in Construction Site Management (Construction): Building and Civil Engineering at level 10.

Withdrawal decisions were made as a result of regular user uptake analysis, carried out to identify low-uptake qualifications. These included a number of qualifications where the regulator encourages awarding bodies to remove low-uptake qualifications from their portfolio. It should be noted that the volume of withdrawals is affected by the number of pathways on which a qualification is offered; some individual qualifications appear on multiple pathways, and so are counted as multiple withdrawals.

During the same period a higher than normal number of extensions to the accreditation period were completed and significant levels of support materials were provided. Incremental change improved a number of group awards, and freestanding units were also created or revised following feedback from stakeholders.

	HNC/D, PDA, ACD	Regulated Qualifications	AWDs, NPAs and NCs	Total
Extension to accreditation period	n/a*	105	n/a	105
Incremental change to group award	41	6	31	78

Units created/ revised	94	259	108	461
Assessment support materials created/ revised	30	n/a	29	59

\*n/a = not applicable to this qualification type

The numbers of certificates issued in the period covered by this report were:

Qualification	2020–21	2021–22	Year-on-Year Change
SVQs	20,391	23,023	12%
Higher National Certificates	14,848	14,578	-2%
Higher National Diplomas	12,100	11,311	-7%
NPAs	15,467	20,649	33%
PDA's	7,405	6,537	-12%
Skills for Work	12,582	11,235	-11%
Awards	24,853	30,514	23%
National Certificates	8,065	6,538	-19%
National Workplace	23,343	29,871	28%
Customised Awards	4,441	6,178	39%
Advanced Certificates/Diplomas	155	734	374%

### Customised Awards

We currently have 396 active Customised Awards (2020–21: 415). We offer Customised Awards as a service. Employers and organisations contract us to develop qualifications that meet their particular requirements.

### International delivery

There continues to be a demand for SQA qualifications and services globally. However, due to the COVID-19 pandemic this has slowed down in most regions. As well as offering our qualifications through designated SQA centres in a wide range of countries, we also liaise with overseas governments and their agencies on projects that aim to develop and improve the skills, education and training of our global learners. As our customers come out of lockdown, we hope to retain our existing customers and levels of engagement.

### Range of work

The areas in which we work include, but are not limited to: awarding qualifications, qualification framework development, technical and vocational education and training reform, the setting of skills standards, and qualification and assessment development.

### Human rights

SQA is committed to promoting and supporting internationally recognised human rights. In all its operations, SQA prioritises engagements that promote human rights and access to education for all.

## **Making connections**

Although there have been no visits or in-person events because of COVID-19 and travel restrictions, we have held remote meetings and remote verification events to continue our work as normally as possible.

## **Benefits of international engagement**

SQA's international engagement activities bring many additional benefits beyond the financial contribution that they generate. They go some way towards supporting the Scottish Government's international strategy (as currently outlined in [Scotland's Global Affairs Framework](#) and [Vision for Trade](#)), and its plans to engage with specific countries, as well as promoting Scotland and Scottish education worldwide, placing us in front of new audiences across the world where we can demonstrate our depth of skills and expertise, and showcase our qualifications and the work of the organisation and Scotland. SQA is highly regarded internationally, with requests for engagement still being received.

SQA's arrangements with international partners, organisations and agencies also ensure that we continue to enhance our expertise and skills in many areas of our business.

## **Conduct an evaluation of the awarding programme**

SQA's Policy, Analysis and Standards Directorate carried out an evaluation of the Alternative Certification Model used in 2021 (ACM 21). The results of this will be published in a set of research reports based on work with groups of key stakeholders, surveys, interviews, focus groups, statistical analyses, and collaborative research work with the universities of Oxford and Glasgow.

Initial research findings from this evaluation work informed preparations for the 2021–22 session. This ensured that the reflections of key system partners, and particularly learners and practitioners, were integrated into early planning, and that communications were shaped with their feedback in mind. It is hoped that the evaluation work will help future generations of assessment experts, researchers and policy makers understand how, and how well, the qualifications system responded in these unusual times. This work may also be useful when considering future models of qualifications as part of the upcoming reforms in Scotland.

## **Maintain, develop and improve our portfolio of qualifications**

### **NextGen: HN**

Design, development and pilot delivery of our Next Generation Higher National qualifications continued during the period covered by this report. In Phase 1, delivery of HNC Television began in two pilot centres. Due to the pressures of the pandemic, no centres applied to pilot HNC Computing or Engineering in 2021–22. This does not indicate a lack of commitment from the sector, and both qualifications subsequently secured centres for pilot delivery in 2022–23.

A second phase of development has begun, incorporating eight additional qualifications. These Phase 2 HNC qualifications are being developed for pilot delivery in 2022–23. This will ensure we fully test out our design principles to take

account of the diverse range of HNC and HNDs within the SQA portfolio. Results from the pilot phases will inform the final shape of our new HNC/HND qualifications.

The HN Next Generation project aims to transform our Higher National portfolio over the next 2–4 years, and is built on strong collaboration between our partners and key stakeholders across all areas of development.

### **Digital assessment and learning services**

The last year has brought challenge, but also significant opportunity to further meet the needs of our centres, practitioners and most importantly learners. The increased use of technology to support qualifications delivery, learning and assessment has driven increased interest in, and use and development of, our digital services. We have seen further expansion of development of onscreen digital assessment content, but also continued enhancement of other learner and teacher support services such as SOLAR, UShare and SQA Academy. We have improved the accessibility of our digital content and services, meeting the needs of different learners while raising the quality overall. The need to ensure the learner voice is present in decision making has also impacted our digital content as we include the views of all stakeholders, including learners, in shaping the direction of our services.

### **Positively engage with and support the Scottish Government review of the education bodies**

Since the announcement of SQA's replacement and the engagement by the Scottish Government of Professor Ken Muir as their independent adviser, SQA has actively supported Professor Muir's work. We have directly engaged with Professor Muir and members of his Expert Panel in a range of ways:

- ◆ providing requested advice and information
- ◆ engaging with the review secretariat on requested input
- ◆ participating as members of the review's Stakeholder Advisory Group

On receipt of an embargoed copy of the Muir Report, SQA provided initial advice to the Scottish Government to assist in informing their response to Professor Muir's recommendations.

### **Deliver contracts in line with service level agreements**

#### **Services**

Our Contract Operations team delivers a range of services on behalf of our commercial clients, principally focusing on the administration of assessments in transport and education sectors.

Working in partnership with testing specialists PSI, we continue to offer Secure English Language Test (SELT) in over 120 countries around the world. The test is offered on behalf of the UK Home Office for the purposes of UK Visas and Immigration.

In partnership with Capita, SQA is responsible for the marking of all Key Stage 2 tests on behalf of the Department of Education. As a result of the pandemic, Key

Stage 2 tests in England were cancelled in 2021, as they were in 2020. KS2 Tests were administered as normal in May 2022. SQA and Capita are transitioning all marker training to an online medium using a combination of online modules and video technology.

Our long-standing contracts with the Driver and Vehicle Standards Agency (DVSA) and Maritime and Coastguard Agency (MCA) continue to deliver services in line with contractual service level agreements. The Street Works Qualifications Register (SWQR) is experiencing an increased volume of applications, and we have taken appropriate steps to meet this challenge. A new technology platform has been developed and is due to go live in 2022.

### Accreditation delivery

SQA has a statutory responsibility, through its accreditation function, to set and maintain standards for awarding bodies, and for accredited qualifications. The accreditation function is accountable to the Accreditation Committee — a statutory committee established by the Education (Scotland) Act 1996.

As with all organisations, SQA Accreditation was again affected by the COVID-19 pandemic in 2021–22. We continued to work with the approved awarding bodies to ensure the best quality delivery and assessment arrangements for vocational qualifications were in place for all learners.

Our primary efforts remain focussed on independently accrediting, quality assuring and regulating approved awarding bodies and qualifications, thereby safeguarding the interests of all stakeholders. In addition to learners, these include employers, Awarding Bodies, Standard Setting Organisations, parents, funding bodies, training providers, SCQF Partnership, Skills Development Scotland and the Scottish Government. It also assists us in delivering against the Corporate Performance Framework.

	2020–21	2021–22
<b>Approved awarding bodies</b>	37	35

### Regulation

SQA Accreditation’s regulatory activity is carried out to ensure that awarding bodies comply with the Regulatory Principles and Directives. SQA Accreditation carried out a number of audits and provider monitoring visits in 2021–22:

	2020–21	2021–22
<b>Audits</b>	9	12
<b>Provider monitoring reports</b>	9	17
<b>Provider monitoring visits</b>	19	33

Our regulatory activity generally has increased from the previous year, which was severely impacted by the restrictions imposed during the COVID-19 pandemic in

2020–21. However, provider monitoring visits in 2021–22 remained impacted by the continuation of the pandemic, as accessing providers proved challenging at times across the year. Additionally, the regulation team have been limited in their activities due to illness and gaps in roles, due to secondments. Consequently, some audit and provider monitoring activity has had to be moved into the next audit cycle.

### **Accreditation of qualifications**

At the end of 2021–22, SQA Accreditation had a total of 774 accredited qualifications (2020–21: 750). The breakdown of accredited qualifications is as follows:

	<b>2020–21</b>	<b>2021–22</b>
Scottish Vocational Qualifications (SVQs)	468	446
Regulatory and Licensing qualifications (R&L):	23	22
Other qualifications (such as competence-based qualifications)	259	306

### **National Occupational Standards**

SQA Accreditation performs a critical role in the Standards and Framework programme, where part of its remit is to quality assure National Occupational Standards (NOS), thus ensuring their fitness for purpose for inclusion in Scottish Vocational Qualifications. By the end of March 2021, 50 NOS projects had been completed out of a total of 60, and the remaining 10 are underway.

### **Scottish Apprenticeships**

The Head of Accreditation is a member of the Apprenticeship Approval Group (AAG), which replaced the Modern Apprenticeship Group (MAG) on 1 April 2020. The Head of Accreditation has been appointed Vice-Chair of AAG, while the Senior Accreditation Manager continues to be a member of the AAG sub-group. SQA Accreditation has a remit to accredit the main mandatory qualification in Modern Apprenticeships, and also acts as the credit rating body for apprenticeships.

SQA Accreditation continues to engage with relevant quality assurance staff in Skills Development Scotland (SDS) with a view to sharing intelligence and thus minimising the audit burden on providers delivering apprenticeships.

## **Outcome 2: We are flexible in meeting customer needs**

**What this means:** SQA needs to ensure it can deliver its products, services and support in a way that works for the people who need them.

SQA wants to ensure it satisfies its customers. To do this we need a good understanding of what their needs are, and good two-way engagement with customers to ensure that we meet our commitments. If we don't, we need to take responsibility for this and put things right.

SQA understands that to do this we need to be open to new ways of working, both in terms of technology and how we operate. We need the capability to consider new markets and opportunities, and to be able to alter our products and services to meet new or emerging customer needs, basing our decisions on research and insight. In this section we cover the following deliverables:

- ◆ implement an operational excellence methodology for SQA
- ◆ develop a research and analysis strategy

### **Implement an operational excellence methodology for SQA.**

SQA is committed to delivering an operational excellence framework which will support people and teams across the organisation to systematically review ways of working and implement improvements that add value to our customers.

Significant work has already been done to develop a range of tools which can be used consistently across SQA to support the drive to operational excellence. Educational and engagement activities are on track including the development of a range of case studies designed to bring the concept to life and highlight the tangible benefits that it can deliver. SQA Academy is also developing related learning materials and hosting all of the resources within the operational excellence toolkit.

### **Develop a research and analysis strategy**

#### **Research and data informing practice**

SQA's Policy, Analysis and Standards Directorate puts research and analysis at the heart of all SQA's work. Building on and strengthening the organisation's work to date in this area, the purpose of the new directorate is to ensure that decisions made about SQA's qualifications, assessments and wider services are based on robust evidence and analysis. We also seek to ensure that this evidence and analysis is used to inform decision making across the wider education system, that we demonstrate thought leadership, and that our research and official statistics are accessible to as many people as possible.

The directorate was formed in June 2021 and since its research activity has focused upon two areas. First, we carried out research to help inform and respond to the OECD reports and Muir review, as published in March 2022:

- ◆ [A comparative study of organisational structures in high-performing jurisdictions](#)
- ◆ [Alignment between Curriculum for Excellence and National Courses](#)

We also carried out an evaluation of the Alternative Certification Model used in 2021 (ACM 21), as described under Outcome 1.

### **Outcome 3: We have a sustainable operating model that is appropriately resourced in order to deliver our remit now and in the future**

**What this means:** As a public body, SQA has a duty to the people of Scotland to use its resources sensibly and carefully, in ways that deliver best value. SQA must therefore deploy its resources as effectively as possible and must always be alert to opportunities for improving efficiency and reducing costs.

Our environmental strategy aims to maximise opportunities to reduce environmental impact across all our activities by always considering sustainability when making decisions.

SQA must organise itself to maximise the impact of its resources to ensure that we both deliver today and improve our delivery for tomorrow. We must invest wisely in our people, technology and processes to build resilience and ensure we have a sustainable future.

SQA knows that dialogue with the Scottish Government is a vital part of this, and that we must continue to make the case for the resources we need both for ongoing operations and in order to facilitate change.

SQA also looks for appropriate opportunities to use what it does best to generate income from commercial activity. SQA must therefore also be competitive, alert for opportunities, and willing to take proportionate risks. In this section we cover the following deliverables:

- ◆ ensure SQA is compliant with all legislative, statutory and regulatory requirements (including qualifications regulators)
- ◆ review and update all policies to ensure they are (i) up to date; (ii) consistently applied, and (iii) equality impact assessed
- ◆ meet financial targets for (i) income and (ii) expenditure
- ◆ deliver ISO 9001 certification phase 1
- ◆ implement the duty of Best Value in line with the Scottish Public Finance Manual

#### **Ensure SQA is compliant with all legislative, statutory and regulatory requirements (including qualifications regulators)**

SQA continues to ensure that it complies with all legislation relating to employment, corporate parenting, freedom of information, data protection, complaints handling, records management and equalities. SQA continues to receive and respond to regular requests for information and personal data.

#### **Requests for information and personal data**

There were 159 freedom of information (FOI) requests in 2021–22 (2020–21: 202). The number of requests for internal review went up from six in 2020–21 to seven in 2021–22. As with previous years, a number of the FOI requests received in 2021–22 were complex and/or sensitive in nature, and it took longer than the required



timescale of 20 working days to answer them. As in 2020–21, we answered 86% of FOI requests within the required timescale.

Subject access requests (SARs) to SQA decreased to 245 (2020–21: 277). Although broadly in line with 2020–21, this is a significant reduction on the 758 requests made in 2019–20. As with 2020–21, this lower volume was due to the absence of the annual exam diet and consequently the more limited personal data held by SQA in relation to candidates' final results. In addition, the 2021 Alternative Certification Model also included a stage where centres held discussions with their candidates about their provisional grades. This is also likely to have limited the number of SARs directed to SQA. All requests for personal information were dealt with within the required timescale.

### **Public Records (Scotland) Act 2011**

The Public Records (Scotland) Act requires all public authorities in Scotland to prepare and implement a records management plan (RMP). This plan has to be agreed with the Keeper of the Records of Scotland, and reviewed regularly. As part of this process, SQA undertook a self-assessment for submission to and evaluation by the Keeper's Assessment Team. In this, we gave details of improvements and the continued development and implementation of SQA's RMP. Feedback from the Assessment Team recognised our continuing work to strengthen our records management practices and maintain the RMP.

### **Anti-corruption and anti-bribery**

SQA has a Code of Conduct for all employees, which seeks to foster public service values. There are also specific anti-fraud and anti-bribery and corruption policies in place to ensure that all SQA employees understand their responsibilities in this area, and that prompt action is taken in the event that financial irregularity is suspected. As with 2020–21, there were no instances of suspected financial irregularity identified in 2021–22. Our policy for addressing financial irregularity has been given a higher priority in internal communications activity and has also been included in SQA's induction programme for new staff. In addition, we have devised a new fraud risk assessment. This has been integrated in SQA's long-standing annual review of internal controls. We anticipate this new risk assessment will inform a refreshed training and communication strategy in 2022–23.

### **Review and update all policies to ensure they are (i) up to date; (ii) consistently applied; and (iii) assessed for impact on equality**

We carry out equality impact assessments (EqIAs) for policies and practices that have an impact on people. We published 48 EqIAs in 2021–22. In line with EHRC guidance, 'policies and practices' includes, but is not limited to:

- ◆ policies
- ◆ procedures
- ◆ programmes
- ◆ projects
- ◆ frameworks
- ◆ strategies
- ◆ guidance

Our EqlA policy is published and available to all staff, alongside a newly-developed template and supporting guidance for the completion of EqlAs.

We now have a related training module available to all staff on SQA Academy. This gives guidance on completing effective EqlAs, promotes understanding of the relevant legislation, and of the benefits of completing EqlAs in policy development. We have begun a rolling programme of communications to publicise these new resources.

### **Meet financial targets for (i) income and (ii) expenditure**

SQA's activities are not self-financing and the net expenditure requirement after taking into account all fees, charges and commercial income is funded by grant-in-aid from the Scottish Government. Any capital expenditure incurred is funded via capital grant-in-aid from the Scottish Government.

All figures relating to SQA's financial performance can be found in the Financial Performance report on page 21 and in section C Accounts starting on page 82.

### **Charging**

Under the Education (Scotland) Act 1996, the SQA has the power to fix and recover charges for services provided by it, but only in accordance with criteria determined by Scottish Ministers.

Ministers need to agree any charging framework, including the charges levied by SQA. The cost to SQA of delivery of qualifications in Scotland is covered by income from:

- ◆ local authorities (fixed charge as agreed in 2013–14)
- ◆ colleges, training providers and independent schools (based on prices held since 2010)
- ◆ Scottish Government grant-in-aid

Each year, SQA informs its customers (normally in advance of the academic year) of its fees structure for the coming year. These charges, which do not cover the full costs of running the system, have been frozen since 2010, resulting in the need for additional grant support from the Scottish Government. This has been carried forward from the introduction of Curriculum for Excellence (CfE) in the financial year 2013–14.

### **Accreditation budget**

SQA Accreditation is funded via grant-in-aid from Scottish Government. The current level of funding is £1.025m, and we receive additional funding from the corporate grant-in-aid, given that our grant-in-aid has remained static for 10 years. In that time our staff costs have risen and in this financial year are forecast to be £1.051m.

Scottish Government has determined that accreditation is a free of charge public good and that we are not permitted to charge for any of our activities. This is similar to the other qualification regulators in England, Wales and Northern Ireland.

## **Deliver ISO 9001 certification phase 1**

We have successfully introduced the ISO 9001 principles within the Information Governance team (part of Strategic Planning and Governance) and lessons have been learned for future implementation into other teams.

The ISO 9001 principles and tools have now been introduced to half of the teams within the Finance and Corporate Services Directorate, including all of those within the Finance business area and the management team.

## **Implement the duty of Best Value in line with the Scottish Public Finance Manual**

### **Financial model**

As we noted in the description of our business model in the overview at the start of Part A, many of our activities do generate significant income and provide a positive contribution to meeting our costs, thereby reducing the need for subsidy from the public purse. Our comprehensive portfolio of qualifications supports the people of Scotland across a broad range of academic and vocational sectors. Schools, colleges, and training providers pay for the services they receive from SQA on the basis of a qualification entry fee charged for each candidate. At the same time, there are SQA qualifications and awards which support key sectors of the economy and culture of Scotland, but which may have low uptake. The entry fees we charge do not cover the costs of developing and delivering such qualifications.

SQA has the potential to generate other income by providing awarding services, consultancy work, and commercial contracts in markets outside Scotland, the delivery of which was impacted by the COVID-19 pandemic domestically and internationally. We have delivered a number of projects on behalf of other organisations, institutions, and government services in the UK and internationally. By taking advantage of these opportunities, SQA can reduce its dependence on the public purse, and reduce the level of grant required from the Scottish Government, in line with our third strategic outcome.

SQA is also focusing on embedding a culture of efficiency across the organisation, while maintaining outputs and quality of service. We have processes and procedures in place to identify both time-releasing and cash-releasing savings, although the latter are becoming more challenging to identify.

## **Outcome 4: We are a thriving organisation, with quality jobs and a fair work environment for all our people**

SQA's purpose is to help people achieve their full potential, and this applies to our workforce as much as it does to our customers, stakeholders and partners.

Our staff are in a unique position to influence education in Scotland, so SQA will thrive through successfully attracting and retaining talented people. We will take the wellbeing and skills of our workforce seriously by providing a positive working environment through good quality, fair work, training and support for all our people. This requires a commitment to the dimensions of the Fair Work Framework, robust workforce planning, and mainstreaming equalities. As set out in our Equality Outcomes 2021–25, we aim to have an increasingly diverse workforce that fully embraces equality, diversity and inclusion in all that we do. We will provide responsive leadership, fostering the right workplace culture and giving our workforce an effective voice through our recognised trade unions and local directorate communication channels.

A thriving organisation has people doing the right things the right way. It must therefore be our shared priority to recognise, understand, and reinforce the behaviour and attitudes that create the right culture for success.

Remote working has posed various challenges for our organisation, but it has also provided us with an opportunity to rethink how we can work in the future. Our Smarter Working Programme will allow us to deliver our activities more efficiently while providing flexible working options for our people. As an organisation we need to adapt to meet the changing needs both of our colleagues and of society, and this is critical to successful delivery in the future. In this section we cover the following deliverables:

- ◆ implement a Smarter Working Programme
- ◆ ensure high levels of colleague engagement
- ◆ deliver the people strategy

### **Implement a Smarter Working Programme**

Since the start of lockdown in early 2020 almost all SQA staff have been working from home. This has allowed us to review the arrangements within our offices at Loudon and Optima and make improvements where needed.

During the period of this report, and in line with Government advice, we have introduced office working for colleagues who were finding it difficult working from home. Since autumn 2021 we have begun a staged return to office working and by the end of March 2022 about 100 colleagues were working in our offices on a regular basis.

Due to the continuation of restrictions, we have been unable to progress to a full reopening of our offices and the majority of colleagues continue to work from home. In the meantime, workspace designs have been developed and floors 4 and 5 at Optima have been prepared to support office working. A desk booking system has

been introduced to allow staff to book office space for the days they wish to work there. Staff have been asked to express their preferred balance between working at home and in the office, and the eventual aim of the Smarter Working Programme is to accommodate this as far as possible within business needs.

## **Ensure high levels of colleague engagement**

### **Employee engagement**

To encourage employee engagement and, ultimately, improve performance, SQA makes significant efforts to ensure that staff members have a clear understanding of our strategic Outcomes and how our individual efforts contribute to achieving these goals.

### **Communication and feedback**

Our annual People Survey was held in October 2021. The response rate of 82% was down two points on the previous year's survey, and the engagement index had decreased by 11 points to 69%. Despite this fall, as in the 2020 survey 89% of respondents across the organisation said they were committed to helping SQA achieve its strategic goals. A total of 40 out of 58 benchmarked questions were above or in line with benchmark data from the Civil Service People Survey 2020 (55 out of 59 in 2020).

As a result of remote working since March 2020, it has been more important than ever to keep our colleagues engaged with what's happening in SQA, as well as supporting them to keep connected with each other as we move forward to a hybrid working model.

The Executive Management Team has run monthly and more recently fortnightly 'Ask EMT' sessions, where colleagues can put questions to EMT and discuss SQA activities and goals. These sessions have been attended on average by some 400 colleagues (40% of staff), and 24 questions have been pre-submitted, with many more asked during calls. There have also been smaller 'Tea with EMT' sessions with up to 12 colleagues at each session. There were six of these sessions in 2021–22 with an average of nine colleagues attending each session, and feedback from attendees has been positive.

There have had separate online events with the Secretary for Education and Skills, which were attended by an average of over 790 colleagues (80% of staff). There were also six sessions with Ken Muir to discuss his review.

We have run regular COVID-19 Pulse Surveys to gauge how colleagues are feeling while working mainly from home during the pandemic. The surveys show positive results about how employees engage with SQA and that they generally feel supported during the current challenging circumstances. The most recent survey (from January 2022) maintains the high scores from 2021, showing:

- ◆ an average score of 4.52/5 in agreeing that SQA has enabled them to continue to work as best they can, while recognising their current circumstances
- ◆ an average score of 4.32/5 agreeing that colleagues feel supported in relation to wellbeing and mental health

SQA has a line management programme which empowers line managers to help their team members perform effectively in their role. It equips line managers with the required skills, knowledge and behaviours. The MyReview process enables line managers to have regular quality conversations with their team members and support performance and career development. In the 2021 People Survey, 77% (2020: 75%) of staff members believed that they received regular feedback on their performance, and 91% (2020: 88%) felt that their line manager was open to their ideas.

### **Employee voice**

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

The internal communications strategy seeks to keep staff informed and to act as a feedback mechanism. We wish to provide staff with a platform to share corporate and social news.

Throughout 2021 we continued to do this through our monthly in-house newsletter, Inform, which has person-focused updates, including on our employee networks and responsible business activities. Average readership for Inform was 379 unique individuals. We also send a weekly intranet digest of more corporate-focused news.

On a collective level, we have a Joint Engagement Forum for consultation between management and our two recognised trade unions, Unite and Unison. Within the People Policy review there have been consultations between the unions and senior management on changes to staff structure. In addition to this, the Executive Management Team has a framework for engaging with union representatives to discuss all matters. More generally, HR acts as a facilitator for managers to engage directly with the unions on all matters of mutual interest.

Our staff suggestion box encourages members of staff to submit ideas to improve process activity, and address environmental concerns and other issues which affect their working lives. This is now online, and received 15 suggestions in 2021–22.

### **Fair Work Framework**

SQA has been a signatory to the Fair Work Convention's Fair Work Framework since 2016. This commits us to the core principles (the five 'dimensions') of the Framework, which we incorporate into our policies and management practices. The Dimensions are listed below, with some examples of relevant practice:

- ◆ effective voice — Regular staff surveys; use of Short Life Working Groups (SLWG) which draw on the input of staff from various backgrounds and grades (see also previous section, 'Employee voice').
- ◆ opportunity — Apprenticeship, training, internal secondment and mentoring schemes support staff members at all stages of their career.
- ◆ security — SQA is a Scottish Living Wage employer, provides a good pension scheme, and has a transparent pay structure.

- ◆ fulfilment — SQA staff members can be supported through SVQ qualifications as part of their professional development and can become involved in CPD memberships and request financial support for further training.
- ◆ respect — SQA actively promotes equality, and supports workplace support networks.

## **Deliver the people strategy**

### **Developing our organisational design and culture**

During the reporting period we developed a new approach to workforce planning. This assisted the process of planning and budgeting for 2022–23 within our business areas and directorates.

We have provided a framework for performance and talent management and offer values-led development opportunities. In September an external company assisted the executive and heads of service in introducing a 360 degree feedback process. Senior staff sought feedback on aspects of their leadership from their line manager and a selection of peers and colleagues. Each was then offered a structured coaching conversation with an occupational psychologist to discuss potential actions for development.

For those without line manager responsibility we have introduced Values for All to complement our existing Values Led Leadership programme. The new programme aims to increase self and social awareness and strengthen business relationships, so participants can perform to their potential. It has been specifically designed for a virtual environment, and 180 colleagues have so far taken part, with positive feedback.

### **Being a responsible business**

We provide a programme for young people that supports social inclusion and develops the young workforce. COVID-19 has had a severe economic impact on 16–24-year-olds. In particular, those from a disadvantaged background, with care experience and/or living with a disability have seen their employability prospects significantly reduced, and they are statistically less likely to achieve academic qualifications at school. With this in mind, our new one-year apprenticeship programme has no formal academic entry criteria. We worked closely with DYW to encourage applicants from all backgrounds, and recruitment was values based to 'level the playing field'. We are delighted that all six apprentices completed the programme and five secured sustainable employment, with four remaining at SQA.

We have successfully piloted our virtual work experience programme during 2021–22, and this is ready to be promoted to all schools from August 2022. The programme has been accredited to the Virtual Work Placement unit level 4 and learners can now be registered to achieve this award on completion of our virtual programme.

A series of health and wellbeing activities and support materials were delivered to SQA colleagues during the year, with a strong focus on mental health. 'Maintaining

Good Mental Health' workshops were also delivered to colleagues, and feedback from these was excellent.

(The Smarter Working Programme, which forms part of the People Strategy, is dealt with as a separate deliverable.)



## **Outcome 5: We are trusted, respected and valued by our customers, stakeholders and partners**

Trust is the currency that gives SQA's qualifications value. People must be confident that an SQA qualification means the holder has the skills and abilities we say they do.

Without the trust of those we work with and for, we cannot fulfil our mission. Consequently, understanding, nurturing and maintaining our reputation is of critical importance.

Trust is built through the work of our people, so we will seek to become increasingly influential through our research, data reporting and other contributions to public debate. We will not shy away from a public presence and will use our expertise to tell our story and be a thought leader.

Being trusted to do what we say we will do underpins SQA's relationships. We must therefore be serious about driving customer satisfaction, engaging with stakeholders at a strategic level, and building partnerships of mutual respect.

All of this comes together to ensure SQA is truly valued. In all markets, sectors and relationships, SQA will demonstrate the value we uniquely bring. This will build confidence, drive ambition and make sure SQA's positive contribution to Scotland, and further afield, is acknowledged. This will further enhance trust and thus our ability to deliver on our purpose and mission. In this section we cover key results from our customer and stakeholder surveys and the deliverables:

- ◆ develop and deliver a communications strategy to build credibility and trust through deeper engagement and collaboration
- ◆ deliver SQA's Environmental Impact Strategy

### **Develop and deliver a communications strategy to build credibility and trust through deeper engagement and collaboration**

#### **Communication and engagement**

SQA is committed to continually improving its communications. Over the last year, we have redesigned our communications and marketing functions to form a new Communications directorate, enabling us to strengthen meaningful engagement with key audiences.

At the heart of our communications strategy is a commitment to collaboration, engaging with our learners, customers and partners to gather insight, and better understand their needs. This approach will continue to play a key role in the work of the Communications Directorate in the year ahead.

In 2021–22, the ongoing impact of the global pandemic and plans for education reform continued to change what and how we needed to communicate. Our teams have adapted to the rapidly-changing environment and the need for clear, timely communications for our multiple audiences.

Our cross-functional teams continued to play an important role in developing content and messaging for all our audiences, as well as looking at new approaches to measurement and evaluation. This work included:

- ◆ developing bespoke learner materials, including:
  - a learner hub on our website
  - booklets distributed through schools and colleges
  - social media campaigns
- ◆ creating new branding and a suite of assets for the next generation of HN (NextGen: HN)
- ◆ updating media on developments, including briefings to journalists on key announcements and giving them access to SQA experts
- ◆ keeping members of the Scottish Parliament's Education, Children and Young People Committee informed on developments, as appropriate
- ◆ celebrating, recognising and promoting the power of SQA qualifications through sponsorship and case studies, while underlining how our partnership approach with learners, centres and stakeholders is helping people in Scotland, the rest of the UK, and internationally, to meet their potential

## **Engagement**

We are keen to engage across all our qualifications and services. We welcome feedback from our customers, and use it to improve the way we do things. By using online meeting platforms, we continue to collect and consider views from a wide range of sources, including:

- ◆ creation of both the National Qualifications 2022 and the Higher National and Vocational Qualifications 2022 groups — membership is made up of representatives from across the whole education system and has discussed and provided advice regarding the development of approaches to assessment and certification in 2022
- ◆ online events with members of School Leaders Scotland (SLS) and the Scottish Council for Independent Schools (SCIS) providing insight on the approach to Awarding 2022
- ◆ direct contact with schools, colleges and training providers through our dedicated teams of liaison and regional managers, as well as through qualifications teams
- ◆ online events with SQA co-ordinators, local authority contacts, subject-specific Understanding Standards webinars, and online appointee meetings
- ◆ ongoing engagement with stakeholders and partners, such as teaching unions, directors of education and college principals
- ◆ monitoring of performance across all of our platforms, which we use to continually improve our products and services based on data and evidence

## **Engaging with customers**

During September 2021, our Liaison Team hosted 31 online workshops with SQA co-ordinators, heads of centre, local authority contacts, parents/carers and learners. These workshops enabled us to engage with over 300 key audiences during a short

period to help review the alternative certification model for 2021 and understand the needs of our key stakeholders.

The SQA learner panel continues to be co-ordinated by the Scottish Youth Parliament to ensure young people’s views are also heard. As a result of working closely with the learner panel, we were able to produce booklets containing all the key information learners needed to know about coursework and exams for 2022.

We also continue to work closely with the National Parent Forum for Scotland and Connect to ensure the parent/carer voice is heard. This includes providing support for FAQs and ensuring each organisation has accurate information for their members.

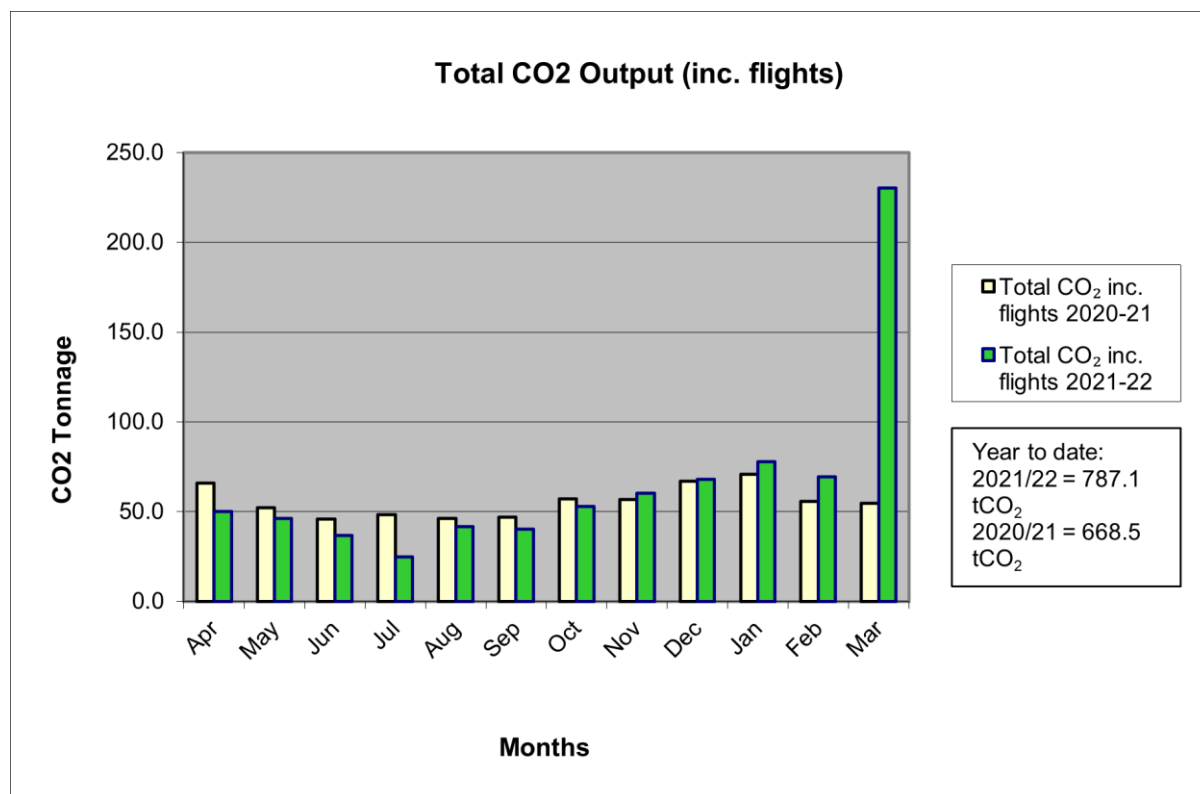
Internally, we continue to develop our communications platform to help us better tailor communications to our different customer types.

## Deliver SQA's Environmental Impact Strategy

### Environmental performance

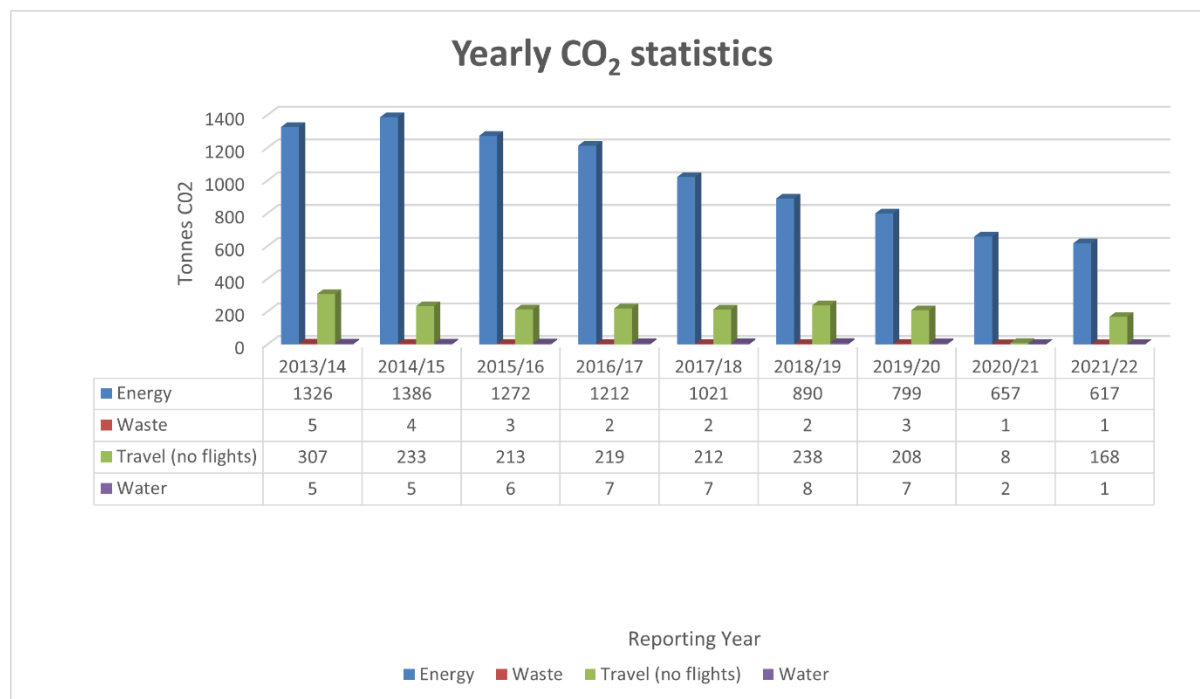
#### Carbon emissions

As a responsible business, we seek to minimise our contribution to climate change, and work hard to reduce our impact on the environment. This not only reduces our carbon footprint, but can also bring savings and other benefits to SQA.



Our efforts to reduce our carbon emissions align with the climate change emergency declared by the Scottish Government in May 2019, and both the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 and the Scottish Government

policy on ‘Decarbonisation in the public sector’. We report annually to the Scottish Government on our carbon emissions. We initially took part voluntarily, but this has since been made a requirement for all public bodies under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015, in line with the Government’s 2045 Net Zero Target.



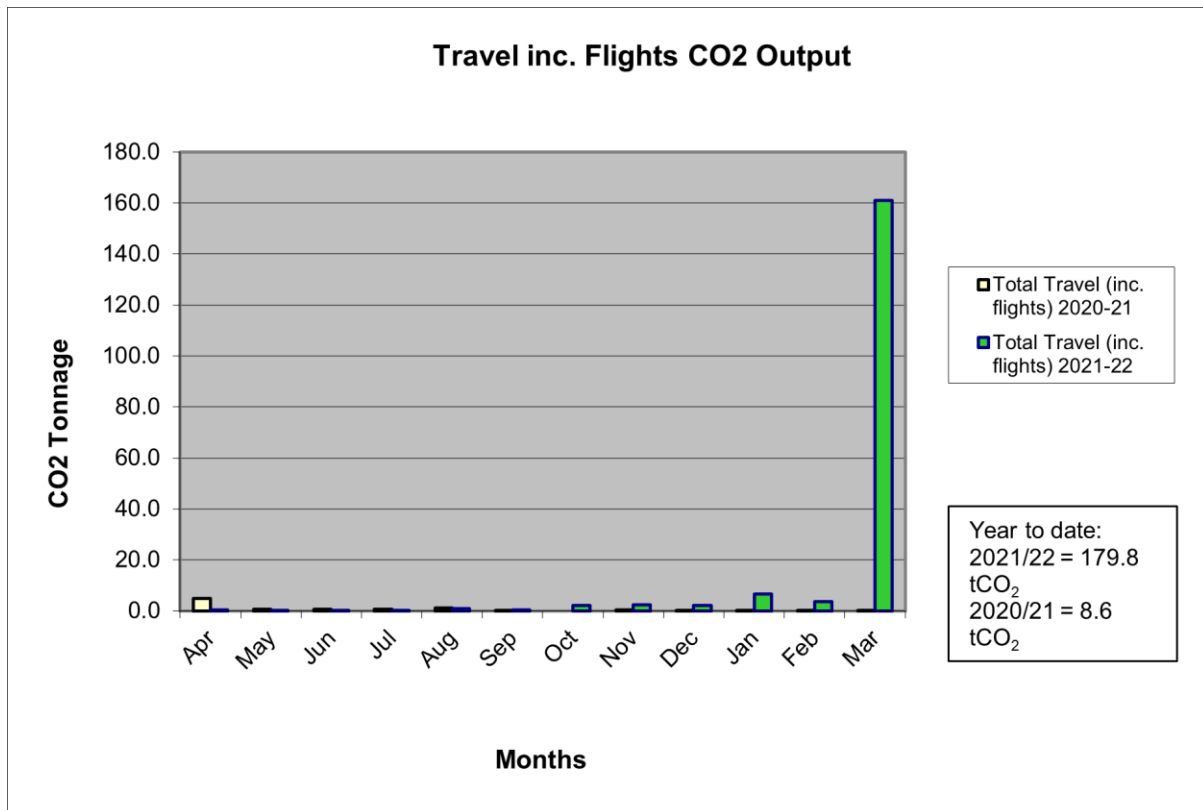
2021–22 saw a rise of 118.6 tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent) in equivalent emissions from 2020–21. Given the cancellation of the 2021 diet, it is no surprise that provision of the 2022 exam diet has seen an increase in emissions on this scale. Our commitment over recent years has been to maintain our carbon emissions at or below the level of the baseline year 2013–14 (1,643 tCO<sub>2</sub>e). Our 2021–22 figure of 787 tCO<sub>2</sub>e is 52% below this level.

We have begun to track figures for carbon emissions for homeworkers. Though these are not formally reported on yet, they will be included in future Annual Reports.

### Travel

Because of the cessation of air travel on SQA business in both 2020–21 and 2021–22, there has been no change in flight emissions. Most colleagues remain working from home, and while there has been some carbon generated by other travel, 2021–22 levels remained low at 179.8 tCO<sub>2</sub>. Additionally, while it isn’t currently counted, colleagues have not been required to commute to the office except for business-critical activity.

March 2022 saw a spike in travel emissions from activities related to the 2022 diet.



Positive measures taken during the year have included:

- ◆ Green recovery and the Smarter Working programme — environmental considerations are being embedded into plans for future ways of working.
- ◆ We’ve started tracking and publishing homeworking emissions and are working with sustainability partners to find a way of tracking commuting emissions. If we can get a broader view of our impacts, we can incorporate that into future business decisions.

We are committed to using the changing work landscape as an opportunity to reduce our environmental impact and further improve the sustainability of the organisation.

### Recycling

The total of 41 tonnes in 2020–21 can be compared to 42 tonnes in 2021–22. The carbon equivalent remains 0.8 tonnes CO<sub>2</sub> (2021–22).

As before, we aim to put as little of our waste as possible in landfill. Most of our waste is now recycled in some way, with only a small amount of residual waste sent to landfill.

All SQA’s IT equipment is recycled when it is no longer of use to us, and up to 75% of the materials can be reused.

## Looking forward

As noted at the start of this performance analysis section, SQA is the subject of major changes which will in due course see its functions taken up by new bodies. As announced by the Scottish Government in March 2022, SQA's awarding function will transfer to a new qualifications body, which will also be a non-departmental public body. It is anticipated in the Government's indicative timeline that the new body will be established by legislation after delivery of the national exam diet in 2024. A transition process to the new body is already underway, but in the meantime SQA continues its ongoing work, and will shortly publish its annual business plan for 2022–23.

*Fiona Robertson*

**Fiona Robertson**

**Accountable Officer and Chief Executive**

**Scottish Qualifications Authority**

**16 September 2022**

# B: Accountability Report

## Corporate governance

### Directors' report

#### Directors and their interests

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

#### Chair

David Middleton

#### Chief Executive

Fiona Robertson

#### Non-Executive Board Members

Eleanor Craig (until 28.02.2022)

Anna Davis

Seán Hagney

Jane Handley

Dr Wendy Mayne

Hamish McKay

Grahame Smith

Roger Stewart (until 31.08.2021)

Dr Ken Thomson

#### Executive Management Team

Michael Baxter, Director of Finance and Corporate Services

Beth Black, Director of Policy, Analysis and Standards\* (from 07.06.2021)

Jean Blair, Director of Operations

John Booth, Director of Communications\* (from 14.06.2021)

Lee Downie, Director of Business Systems

Dawnne Mahmoud, Director of People

John McMorris, Director of Business Development

Dr Gill Stewart, Director of Qualifications Development

\* new posts

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

#### Conflict of interest procedures

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

and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

### **Personal data-related incidents**

Section 5.3.9 of the Government Financial Reporting Manual (FReM) requires that organisations report on personal data-related incidents. In 2021–22, no breaches were reported to the ICO.

## **Statement of the Accountable Officer's responsibilities**

Under Section 16 of the Education (Scotland) Act 1996, 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, statement of financial position, 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 (FReM), and in particular to:

- ◆ observe the Accounts Direction issued by 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 FReM have been followed, and disclose and explain any material departures in the accounts
- ◆ prepare the accounts on a going-concern basis
- ◆ confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

Scottish Ministers have appointed the Chief Executive as the 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.

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that SQA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



## **2021–22 Governance statement**

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

More generally, SQA is committed to continuous development and improvement, and seeks to improve its systems, processes and capability in response to any relevant reviews and developments in best practice.

### **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, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

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

### **Purpose of the system of internal control**

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims, and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively, and economically.

The process within the organisation accords with guidance from Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2022 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 detailed below, to ensure the effectiveness of operations.

### **Sponsor**

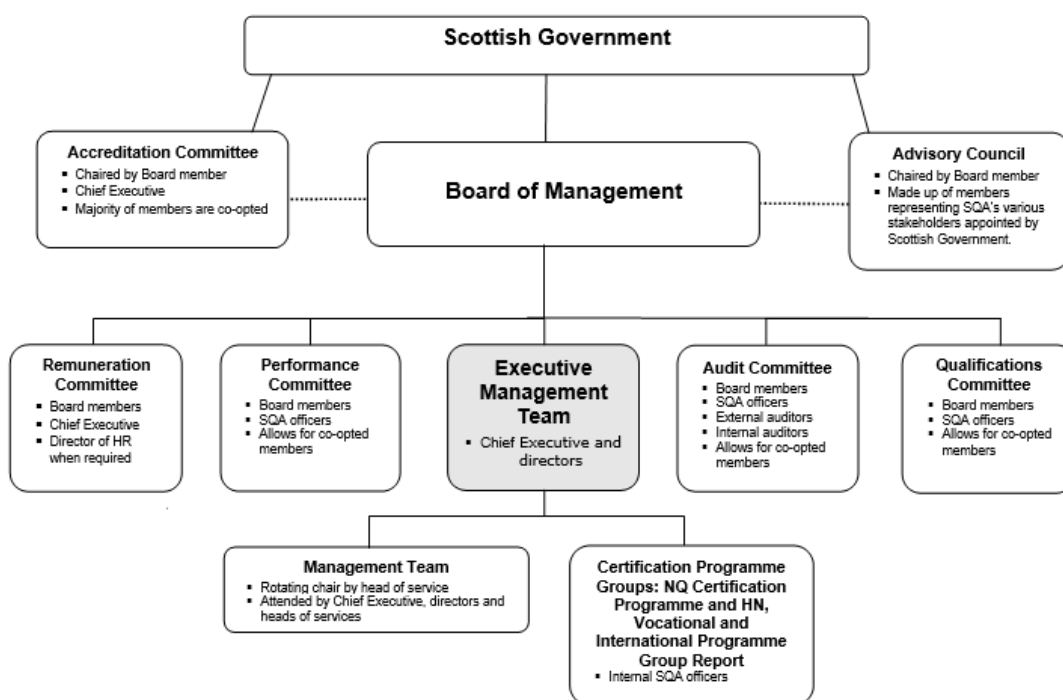
SQA is sponsored by the Scottish Government's Education Reform Directorate (previously Learning Directorate). As Accountable Officer, I and members of the

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 on matters such as policy development, performance, risks, and financial position. A representative of our sponsor directorate attends meetings of the Board of Management as an observer. Copies of Board and committee papers are also issued to our sponsor directorate. Monthly finance returns are provided to the Scottish Government as part of its financial management and control arrangements.

## Board of Management

The following diagram outlines the current governance structure, which supports the achievement of SQA’s objectives.

SQA Committee Structure



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

The Board is supported by a group of committees with specific remits who work together to deliver the objectives and policies of SQA: the SQA Accreditation Committee, the SQA Qualifications Committee, the SQA Performance 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 Executive Management Team (EMT) oversees the day-to-day operations of SQA's work.

### **Advisory Council**

The Advisory Council's primary role is to consider and advise SQA on the needs and views of our stakeholders in relation to our qualifications and awards. This advice helps us to develop, maintain, and deliver our portfolio. The Advisory Council comprises Jane Handley (Convenor), Seán Hagney (Deputy Convenor), Grahame Smith, David Barnett, Wendy Burton, Diane Greenlees, Sonia Kordiak, Margaret Lannon, Lyndsay McRoberts, Eileen Prior (until June 2021), Steven Quinn, Simon Hewitt, Iain Hawker, David McDonald, Tim Frew, Stuart McKenna, Colm Harmon and Sally Smith. Further information on the remit and membership of [SQA's Advisory Council](#) can be found on SQA's website.

The [Accreditation Committee \(AC\)](#) meets in January, April, July and October. AC members are appointed from the training and industry sectors; their input helps us ensure that we meet the needs of Scottish industry and those tasked with delivering SQA accredited qualifications. AC discusses strategic issues which impact on our work. This includes Scottish and UK Government policy, the work of other qualifications regulators, and educational development overseas. AC comprises Grahame Smith (convenor), Valerie Mann (vice convenor), Paul Campbell, Jane Handley, Angela Newton, Elaine Hutton, Lorna Trainer, Alister Clark and Fiona Robertson. Further information regarding the AC members and the [minutes](#) of AC meetings are publicly available on the SQA Accreditation website.

The duties of the Remuneration Committee include setting the annual performance plan for the Chief Executive and members of the Executive Management Team (EMT) for each calendar year and reviewing that performance annually. The Remuneration Committee membership can be found in the Remuneration and Staff Report.

The remit of the Performance Committee is to support the Board in monitoring progress towards, and successful delivery of, our corporate objectives; to monitor performance of all SQA's activities; to monitor the achievement of best value in the public services; and to review and support the continued development of key performance indicators in alignment with the Scottish Government's National Performance Framework. The Performance Committee meets quarterly and comprises Anna Davis (convenor), Hamish McKay, Roger Stewart (until 31.08.2021) and Eleanor Craig (until 28.02.2022).

The Audit Committee provides the Board with an independent and objective review of the effectiveness of control systems and the reporting scrutiny of corporate performance and risk management. In particular, the Audit Committee discusses SQA's Corporate Risk Register quarterly and considers reports from internal and external audit. The Board discusses risk as part of its strategic focus and sets the risk appetite profile for the organisation. The Audit Committee comprises Hamish McKay (convenor), Anna Davis, Dr Wendy Mayne, and Dr Ken Thomson.

The Qualifications Committee is a working group with a remit based on SQA's Outcomes to make strategic and policy qualifications-related decisions on behalf of the Board; ensure that qualifications and related activities comply with relevant criteria, design principles and policies; and ensure that SQA carries out its self-regulation functions appropriately and oversees the ongoing monitoring of standards. It comprises Dr Ken Thomson (convenor), Jane Handley, Seán Hagney, Dr Wendy Mayne, Prof Jo-Anne Baird, David Swinney, Carol Turnbull and Jon Reid.

The number of meetings held by the Board of Management and the committees in the reporting period are:

	No. of ordinary meetings held	No. of extraordinary meetings held
Board of Management	6	12
Audit	4	0
Performance	4	0
Qualifications	6	2
Advisory Council	4	3
Accreditation	4	0
Remuneration	2	0

Each committee provides an overview of business covered to the Board of Management on their activities at each meeting. Summaries can be found in the minutes published on SQA's website: <https://www.sqa.org.uk/sqa/138.2326.html>

## Assessment of corporate governance

SQA's Board of Management reviews its performance annually and considers the implications of this assessment for improving its effectiveness. The Chair 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.

## Internal audit

SQA's internal auditors, Azets, developed a three-year strategy and plan for SQA's internal auditing. This runs from 2021 to 2024 and was approved by our Audit Committee in March 2021. The 2021–2022 audit plan was approved as part of this Plan. The plan was subject to ongoing and annual review to ensure that it reflected changes in business requirements and took account of any changes in SQA's risk profile. 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. Working remotely has not impacted on the delivery of internal audits and processes have been adapted to accommodate gathering of evidence and interactions.

Azets undertook a total of twelve internal audits in 2021–22. Specifically, these were:

- ◆ 2021 Awarding Programme
- ◆ Effectiveness of engagement with the unions
- ◆ Operational planning
- ◆ Review of restructure implementation
- ◆ Due diligence process: Human Rights
- ◆ Customer service: Enquiry Management and call handling
- ◆ Stakeholder engagement
- ◆ Alternative Certification Model for 2020–21
- ◆ ISO 27001 IT Controls
- ◆ Software asset management
- ◆ Partnership working
- ◆ Appeals 2021

In addition, follow-up reviews to assess the extent to which management has implemented agreed audit actions were undertaken.

Azets's term of engagement ended at the end of the financial year 2021–22, and Grant Thornton was appointed to fulfil internal audit functions from April 2022.

In addition to this outsourced audit activity, SQA has an in-house ISO audit programme, operated by trained staff. A further eight ISO auditors were recruited during 2021–22 and received auditor training for both ISO9001 and ISO27001 from LRQA, which is certified by the United Kingdom Accreditation Service (UKAS).

The in-house auditors conducted four audits relating to ISO 27001 (Information Security) and one audit relating to ISO9001 (Quality Management Systems).

## **Internal controls**

The Finance and Corporate Services Directorate supports SQA directors in their responsibility for ensuring that appropriate internal controls are applied within their directorates. Key controls include:

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

Although these internal controls remained in place, a matter arose from a compliance audit carried out by Ofqual on malpractice and notifications relating to historic HSCE (Health and Safety in a Construction Environment) cases in 2017. This will result in changes to our policies for centre malpractice investigation in England.

A draft action plan and draft revised malpractice policy (for Ofqual/Qualifications Wales delivery) is with Ofqual for review. Ofqual have asked SQA for information on turnover to inform discussion on any financial penalty to be levied. A work schedule has been developed and agreed with Ofqual to ensure full implementation of the new policy within deadlines.

## **Planning and performance framework**

The SQA Corporate Plan, covering the period from April 2020 to March 2023, was developed by the SQA Board and the EMT, in line with ministerial guidance. It has been developed to align with Scotland's National Performance Framework (NPF).

SQA's performance framework consist of a set of outcomes supported by a series of deliverables. These have been identified as the key corporate activities that we will prioritise in the year ahead.

The corporate plan informs the development of separate business plans for each financial year between corporate plans. The Board of Management approved the 2021–22 business plan in March 2021. The business plan includes key deliverables, targets, milestones and indicators for the year immediately ahead, aligned to the NPF, and linked to budgeting information so that resources have been allocated to achieve specific deliverables.

The organisation's business areas have prepared detailed yearly operational plans, including financial plans, which underpin the published Corporate Plan and associated business plans.

Progress towards our Outcomes is subject to review by the Performance Committee through Quarterly Performance Reports. The Performance Committee reviews progress and reports any matters of interest to the Board of Management for their consideration.

While our daily lives remain impacted by COVID-19 we continue to work flexibly, responsively, and collaboratively to meet the emerging challenges. Of the 18 deliverables we identified in 2021–22, some are a continuation from last year while some new ones have been added as we continue to adapt and deploy new and innovative ways to deliver for all our customers. It has never been more important to ensure we focus on the right things so that we can continue to deliver what matters most, while working with others to shape the changes that lie ahead.

## **Scottish Education Reform**

On 9 March 2022, the Scottish Government announced that a new public body will be responsible for developing and awarding qualifications. It will replace the Scottish

Qualifications Authority (SQA) and it will have a governance structure that is more representative of, and accountable to, learners, teachers and practitioners.

SQA will continue to deliver their functions while the new body is being developed, ensuring continuity for learners, including those sitting exams.

The establishment of the new qualifications body is expected to take place following the completion of the 2024 exam diet subject to the passage of enabling legislation. SQA and the Scottish Government are working on the timescales for the governance and legislation required to establish the new qualifications body.

## **Programme management**

SQA continues to review projects based on its overall business priorities. This is achieved by having a single approval process and governance framework. Resource and budget management are allocated based on this approach. This ensures that resources are focused on the correct business outcomes. The governance for the programme of projects rests with the Portfolio Board which consists of EMT and the Head of Service for Planning Governance and Compliance. This reports to the Performance Committee and the Board as part of the Quarterly Reporting Pack. External assurance is provided by the Digital Assurance Office (DAO) as part of our integrated assurance and approval plan for the delivery of major programmes within SQA.

Due to the extraordinary set of circumstances in response to COVID-19, Awarding 2021 and Awarding 2022 programmes have adopted the core principles of the Programme Management methodology. However, due to the nature of the delivery the reporting channels differ slightly from the SQA Change Programme as set out below.

## **Awarding 2022 governance**

Governance was established to deliver SQA's qualifications in 2022 with the programme divided into four sub-programmes of 'Exam Model', 'Alternative Model', 'Appeals' and 'Communications & Engagement' and covers the following qualifications:

- ◆ National Qualifications, studied at schools and colleges, such as National 1–5, Highers, and Advanced Highers.
- ◆ Higher National Qualifications & Vocational Qualifications. These arrangements cover: Higher National Certificates and Diplomas, SQA Advanced Certificates and Diplomas, Professional Development Awards, National Progression Awards, National Certificates, Skills for Work, Awards and internally-assessed NQ Units.

Each element of the programmes draws on colleagues from across the business to ensure that a breadth of knowledge and experience is utilised. Project plans have been developed highlighting the dependencies within and between workstreams as well as identifying the key risks and issues in each one.

Marketing and Communications support each of the groups to ensure that our stakeholders are kept informed and engaged throughout the process. SQA is working in partnership with our stakeholders across Scotland and the UK to co-create solutions and deliver results to learners

## **Risk management**

As recognised on page 10 of the performance report, SQA operates a risk management strategy in accordance with guidance issued by Scottish ministers. This follows the general principles set out in the Scottish Public Finance Manual.

Significant risks facing SQA are listed in **Key issues and risks** on page 8 of the performance report. To confront and mitigate these, SQA has a risk, opportunity and issues management framework. This is subject to continued review by the Board, Audit Committee, the newly formed Risk and Opportunity group and our internal auditors. The risk, opportunity and issues management policy was last reviewed in March 2022.

Risks, opportunities and issues are identified, reported on, and monitored according to this framework. Each quarter, the Risk and Opportunity group, EMT, and Audit Committee review the register of strategic risks and mitigating action. There are operational risk, opportunities and issues registers within SQA business areas, projects, and programmes. These risks are reviewed regularly by local managers and centrally, to determine whether any need to be escalated to the Risk and Opportunity group and EMT for inclusion in the Corporate Risk Register. This, in turn, is reviewed by the Audit Committee and escalated to the Board, if appropriate. This review process is informed by risk appetite and risk, opportunities and issues rating which combined suggests the required treatment.

SQA's Board of Management undertakes a strategic risk workshop to consider existing risks and new threats that the organisation could face in the future.

During 2021–22 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure successful delivery of our wide range of qualifications. It also now reflects the impact of the education reform announced in June 2021 which will lead to SQA's replacement.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity (BC). SQA has a full business continuity management system validation programme that includes regular maintenance of plans, exercises, and reviews. This was further reviewed in the course of 2021–22 to consider the potential impacts given the transmissibility of the Omicron variant of COVID-19. Work within the IT area of our Change Programme continues, with the aim of ensuring robust resilience for our systems, and a proven disaster recovery solution in our mission critical services.

On 25 January 2022 we carried out director training as part of a rolling schedule of business continuity training. The training was delivered by a third-party provider and focused on cyber threats and ransomware. We considered the latest threats, worked



through impacts and assessments, and the directors took part in a cyber-related scenario, which included exercising their understanding of the Strategic Team Plan.

In 2021–22 we delivered a comprehensive business continuity training and awareness programme, to all staff who have a role and responsibility in BC. We also plan to launch bespoke SQA Academy modules designed to support our business continuity co-ordinators in autumn 2022. SQA's Incident Management Team (IMT) also benefited from dedicated cyber training in March 2022. A session was held where we heard from the head of business continuity at the Scottish Environmental Protection Agency (SEPA) to understand the impact and changes made to the organisation following a cyber-attack in December 2020. IMT support staff were trained in August 2021 by our third-party provider, Plan B, to provide Business Continuity Essentials training in the fundamentals of managing BC. The IMT Lead and Support Team have also been trained by the SQA Compliance Team, providing practical incident management skills and 360 feedback.

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

SQA has structures in place that provide assurance of the existence and regular review of controls. In particular, there is a comprehensive policy register, in which policies are assigned to policy holders and are reviewed and updated regularly. In 2021–22, SQA undertook a comprehensive review of the Equality Impact Assessments (EqIA) associated with policies and practices. As a result, 48 policies and practices (out of 139) have seen new or refreshed EqIAs – and all are published on SQA's website.

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

SQA has a dedicated Procurement Team, which advises SQA on procurement contract arrangements and provides guidance in terms of compliance with emerging changes to procurement rules from the European Union and the Scottish Government, including responding to emerging guidance as a result of COVID-19. This provides a controlled and streamlined environment to support both compliance with relevant legislation and SQA's financial regulations.

### **Safeguards against losses**

SQA has a system of financial controls in place to promote the effective use of financial resources and to safeguard against loss. This includes a robust budgeting and forecasting process that is closely aligned to the corporate planning process and which is supported by a 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 staff are segregated, where possible, to ensure effective financial controls.

As with 2020–21, there were no instances of suspected financial irregularity identified in 2021–22. SQA’s addressing financial irregularity policy has been given a higher priority through internal communications activity and has also been included in SQA’s inductions programme for new staff. In addition, SQA has devised a new fraud risk assessment. This has been integrated in SQA’s long-standing annual review of internal controls. We anticipate this new risk assessment will inform a refreshed training and communication strategy in 2022–23.

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

SQA has in place an information governance framework to ensure compliance with relevant statutory obligations. The policies and processes within the framework aim to support the effective management and secure use of information.

Our Information Security Policy makes clear the controls necessary to protect information and information systems, as well as highlighting the responsibilities of users. Our Data Protection Policy makes clear the requirements of data protection legislation to ensure that our processing of personal data respects data protection principles. These and other information governance policies support the management of information across SQA.

SQA’s Privacy Impact Review Group (PIRG) reviews Data Protection Impact Assessments (DPIAs) to ensure that all risks and appropriate mitigating actions have been identified before allowing work to progress. DPIAs are used for new or changed systems, projects, contracts, policies, processes and programmes where personal data is being processed.

Data sharing arrangements are in place where required.

### **Data Governance**

SQA is a data-driven organisation, and to be successful our data must be well understood, managed and of good quality. Data governance is a proactive way of managing data and supports the business to achieve its strategy and vision. It outlines and enforces:

- ◆ planning of roles, responsibilities and actions
- ◆ defined roles and processes for decision making
- ◆ accountability for decisions and actions

The Director of Business Systems is the ‘Data Governance Sponsor’ and all eight directorates are represented by one or more heads of service at the Data Governance Strategic Group.

The remit of the group is to:

- ◆ drive data governance awareness and culture change within the organisation
- ◆ provide strategic direction and oversee policy, issues and communication
- ◆ act as final decision-making authority

- ◆ review execution of prior data decisions (and the related project activities)
- ◆ hold business and IT areas accountable
- ◆ resolve business policy and organisational issues relating to data based on recommendations from other data governance groups
- ◆ approve requests/initiatives. This may include approval of resources, funding, etc
- ◆ co-exist with other strategic groups

## **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 plans to make savings that continue to support the Scottish Government's efficiency agenda in this financial year. No reductions in outputs or quality of service are expected as a result of this.

## **Review of effectiveness**

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

- ◆ Certificates of Assurance signed by each director who reviews the internal control checklists and certificates of assurance completed and signed by heads of service in their directorates
- ◆ the senior management within the organisation, who have responsibility for the development and maintenance of the internal control framework
- ◆ the work of the internal auditors, who submit regular reports to the SQA's Audit Committee which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control, together with recommendations for improvement
- ◆ Azets' internal audit opinion, which gives reasonable assurance
- ◆ 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 of Management 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.

# Remuneration and Staff Report

## SQA's staff

SQA's Executive Team is responsible for the management of the business. The Chief Executive is appointed by a non-executive board, subject to approval of Scottish Ministers. The Chief Executive's contract, as agreed with the Scottish Government, is a separate contract, with a notice period of six months. Other members of the Executive Team are employed on standard SQA contracts of employment, with a notice period of three months. The names and roles of these directors are given on page 51.

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

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

## Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Public Pensions Agency (SPPA). Both schemes are career average schemes (as of 1 April 2015). Employee contributions are based on actual pay as at 1 April for both the LGPS and STSS (see below). For 2021–22, employer's contributions of £6,364,480.64 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay, and 23% for STSS.

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 2021–22

Pay tranche	Contribution rate paid on that tranche
Up to and including £22,300	5.50%
Above £22,301 and up to £27,300	7.25%
Above £27,301 and up to £37,400	8.50%
Above £37,401 and up to £49,900	9.50%
Above £49,901	12.00%

## **Scottish Teachers Superannuation Scheme contribution rates 2021–22**

<b>Full-time equivalent pensionable pay</b>	<b>Contribution rate</b>
Up to and including £28,309	7.2%
£28,310–£38,108	8.7%
£38,109–£45,186	9.7%
£45,197–£59,884	10.4%
£59,885–£81,659	11.5%
£81,660 and above	11.9%

### **SQA’s Non-Executive Board**

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

The members of the Board are appointed by Scottish Ministers and come from a range of backgrounds from the public and private sectors. Board members are paid a monthly fee on the basis of their duties, which are set and reviewed annually by the Scottish Government (effective 1 April). The Chairman’s level of remuneration is set and reviewed annually by the Scottish Government (effective 1 April).

### **Remuneration Committee**

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The Committee meets a minimum of once a year. The members of the Committee during 2021–22 were:

David Middleton — SQA Chair and Convener of the Remuneration Committee

Roger Stewart — SQA Board Member and Member of the Remuneration Committee (until 31/08/2021)

Grahame Smith — SQA Board Member and Member of the Remuneration Committee (from 31/08/2021)

Anna Davis — SQA Board Member and Member of the Remuneration Committee

Fiona Robertson — SQA Chief Executive and Officer of the Remuneration Committee

Dawnne Mahmoud — SQA Director of People and Officer of the Remuneration Committee

## Disclosure of remuneration

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

This section of the Remuneration Report is subject to audit.

	2021–22			2020–21		
	Salaries and other payments	Pension accrued in year	Total	Salaries and other payments	Pension accrued in year restated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Chair</b>						
David Middleton	25–30	–	25–30	25–30	–	25–30
<b>Chief Executive</b>						
Fiona Robertson	130–135	41	170–175	125–130	40	165–170
<b>Non-Executive Board Members</b>						
Eleanor Craig*	0–5	–	0–5	5–10	–	5–10
Anna Davis	5–10	–	5–10	5–10	–	5–10
Seán Hagney	5–10	–	5–10	5–10	–	5–10
Jane Handley	5–10	–	5–10	5–10	–	5–10
Dr Wendy Mayne	5–10	–	5–10	5–10	–	5–10
Hamish McKay	5–10	–	5–10	5–10	–	5–10
Grahame Smith	5–10	–	5–10	5–10	–	5–10
Roger Stewart**	0–5	–	0–5	5–10	–	5–10
Prof. Ken Thomson	5–10	–	5–10	5–10	–	5–10
<b>Directors</b>						
Michael Baxter	90–95	29	115–120	85–90	28	115–120
Elizabeth Black***	75–80	24	100–105	–	–	–
Jean Blair	95–100	37	130–135	95–100	44	140–145
John Booth****	70–75	23	90–95	–	–	–
Lee Downie	105–110	31	135–140	105–110	30	135–140
Dawnne Mahmoud	90–95	29	120–125	90–95	29	120–125
John McMorris	95–100	33	130–135	95–100	37	130–135
Dr Gill Stewart	105–110	41	145–150	105–110	49	150–155

The total emolument of all directors, non-executive directors and the chair was £1,109,000 (2021: £923,000)

\*Eleanor Craig's term of appointment ended on 28.02.2022. Her full year equivalent salary was £5–10k

\*\*Roger Stewart's term of appointment ended on 31.08.2021. His full year equivalent salary was £5–10k

\*\*\*Elizabeth Black commenced employment with SQA on 07.06.2021. Her full year equivalent salary was £90–95k.

\*\*\*\*John Booth commenced employment with SQA on 14.06.2021. His full year equivalent salary was £90–95k.

No benefits in kind were paid in 2020–20 or 2021–22.

There were no bonuses paid in 2021–22.

	<b>2021–22</b>	<b>2020–21</b>
Band of highest paid director's total remuneration and % increase	£130–£135k 3.9%	£125–£130k -3.9%
Average % increase of all employees	2.8%	

Percentile pay*	<b>2021–22</b>			<b>2020–21</b>		
	25th	Median	75th	25th	Median	75th
	£25,595	£35,609	£43,662	£23,336	£34,911	£43,230
Ratios**	5.18	3.72	3.03	5.46	3.65	2.95
Staff remuneration range	£19,108—£130–£135k			£18,308—£125–£130k		

\*Median total remuneration, 25th percentile and 75th percentile is the remuneration of the employee that falls in the middle, quarter and three quarter of SQA pay bands (excluding the highest paid employee). These are all expressed as a ratio in comparison to the highest paid director.

\*\* The movement in the median pay ratio is due to a number of factors, mainly the salary of the highest paid director moving up a pay band with this being offset partially by an increase in the workforce as a whole. While the ratios have increased for the median and 75th percentile the ratio of the lower 25th percentile has decreased due to a higher uplift in lower paid staff in line with Public Sector Pay Policy.

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

**Pensions entitlement earned 2021–22**

	<b>Real increase in pension  £'000</b>	<b>Real increase in lump sum  £'000</b>	<b>Total accrued pension at 31 March 2022  £'000</b>	<b>Total accrued lump sum at 31 March 2022  £'000</b>	<b>Cash equivalent transfer value at 31 March 2021  £'000</b>	<b>Cash equivalent transfer value at 31 March 2022  £'000</b>	<b>Real increase in cash equivalent transfer value  £'000</b>
<b>Chief Executive</b>							
Fiona Robertson	2.5–5	0–2.5	40–45	0–5	55	91	36
<b>Directors</b>							
Michael Baxter	0–2.5	0–2.5	25–30	0–5	29	55	26
Elizabeth Black	0–2.5	0–2.5	5–10	0–5	–	19	19
Jean Blair	0–2.5	0–2.5	35–40	60–65	747	797	50
John Booth	0–2.5	0–2.5	5–10	0–5	–	17	17
Lee Downie	0–2.5	0–2.5	30–35	0–5	95	124	29
Dawnne Mahmoud	0–2.5	0–2.5	25–30	0–5	25	52	27
John McMorris	0–2.5	0–2.5	30–35	5–10	322	357	35
Dr Gill Stewart	2.5–5	0–2.5	40–45	85–90	1,056	984	(72)



**Pensions entitlement earned 2020–21**

	<b>Real increase in pension</b>	<b>Real increase in lump sum</b>	<b>Total accrued pension at 31 March 2021</b>	<b>Total accrued lump sum at 31 March 2021</b>	<b>Cash equivalent transfer value at 31 March 2020</b>	<b>Cash equivalent transfer value at 31 March 2021</b>	<b>Real increase in cash equivalent transfer value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Chief Executive</b>							
Fiona Robertson	2.5–5	0–2.5	35–40	0–5	22	55	33
<b>Directors</b>							
Michael Baxter	0–2.5	0–2.5	25–30	0–5	5	29	24
Jean Blair	2.5–5	0–2.5	40–45	60–65	693	747	54
Lee Downie	0–2.5	0–2.5	25–30	0–5	67	95	28
Dawnne Mahmoud	0–2.5	0–2.5	25–30	0–5	0	25	25
John McMorris	0–2.5	0–2.5	35–40	5–10	285	322	37
Dr Gill Stewart	2.5–5	0–2.5	50–55	85–90	985	1,056	71

The Chief Executive and all the directors are ordinary members of the Strathclyde Pension Fund.

## Staff Report

Number of senior staff (or equivalent) by band:

Grade	2021–22	2020–21
	Number of staff	Number of staff
Chief executive	1	1
Director	8	6
Head of service	31	29

Staff costs comprise:

	Executive	Non-Permanently	Others	2021–22	2020–21	
	Board	Executive	employed	Total	Total	
	Members	Members	staff	£'000	£'000	
	£'000	£'000	£'000	£'000	£'000	
Wages and salaries	872	70	33,107	361	34,410	34,265
Social security costs	110	2	3,293	–	3,405	3,154
Other pension costs	167	–	17,044	–	17,211	10,915
Severance and compensation	–	–	–	–	–	18
<b>Sub-total</b>	1,149	72	53,444	361	55,026	48,352
Less recoveries in respect of outward secondments	–	–	–	–	–	–
<b>Total net costs</b>	1,149	72	53,444	361	55,026	48,352

Included within wages and salaries are additional costs in relation to capitalised salary costs of £1,068,000 (2021: £706,000).

### Average number of persons employed

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

	Permanent	Others	2021–22	2020–21
	Staff		Total	Total
Awarding and related activities	892	81	973	890
Accreditation	19	1	20	21
<b>Total</b>	911	82	993	911

## Staff Composition

Our staff composition as at 31 March each year was as follows:

Grade	2022			2021		
	Male	Female	Total	Male	Female	Total
Chief Executive	–	1	1	–	1	1
Directors	4	4	8	3	3	6
Non-Executive Board Members	5	3	8	6	4	10
Senior employees	18	13	31	17	12	29
Other	358	598	956	352	588	940
Total Headcount	385	619	1004	378	608	986

## Absence and turnover

The work-life balance, and health and wellbeing of our employees is important to us, and to that end we provide a range of staff assistance and wellbeing programmes, such as an employee assistance programme, occupational health, eye-care support, health plans, and flexible working arrangements, including special leave and additional leave to support employees and their families.

Our absence rate in the year 2021–22 is 3.68%, significantly increased from the 2.29% of 2020–21. We track the absence level against a public sector benchmark of 2.60%.

We track the retention level against the public sector benchmark of 11.0% turnover. SQA has been below this benchmark, but the turnover rate for 2021–22 is 5.47% almost the same as the turnover in 2020–21 of 5.45%.

## Flexibility

SQA understands the benefits of flexible working practices for the organisation and its employees and is committed to supporting work-life balance through support for flexible working arrangements for staff. It is part of our commitment to the Fair Work Framework, which we signed up to in 2016. Flexible working gives employees more options about how long, where and when they work. At the end of 2021–22, 26.80% of SQA staff were on flexible working contracts, 2.77% higher than at the end of 2020–21.

We also tracked a proportion of the jobs we advertise with our 'happy to talk flexible' caption, and during 2021–22 85.34% (2020–21 39.60%) of jobs advertised specifically included our 'happy to talk flexible' caption.

## Staff policies applied

SQA continues as a recognised Disability Confident Employer. We received renewed Disability Confident Level 2 recognition in September 2019 which is due to expire in September 2022 and we are working towards renewal at the same or a higher level.

This means that the organisation has made a commitment to:

- ◆ actively look to attract and recruit disabled people
- ◆ provide a fully inclusive and accessible recruitment process
- ◆ offer an interview to disabled people who meet the minimum criteria for the job
- ◆ be flexible when assessing people so disabled applicants have the best opportunity to demonstrate that they can do the job
- ◆ make reasonable adjustments as required
- ◆ encourage our suppliers to be Disability Confident
- ◆ ensure employees have sufficient disability equality awareness
- ◆ promote a culture of being Disability Confident
- ◆ support our employees in managing their disabilities or health conditions
- ◆ ensure there are no barriers to development and progression of disabled staff members
- ◆ ensure managers are aware of how they can support staff who are sick or absent from work
- ◆ value and listen to feedback from disabled staff members

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

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

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

SQA offers an occupational health service which provides staff with medical advice to support them in resolving any medical issues which are affecting their work and career. This service is provided by an independent organisation and can be accessed either by a management or self referral if an individual is absent from work on a long-term or intermittent short-term basis.

Occupational health will identify any assistance or modifications which may be necessary to help an employee to either return to work or continue to work effectively.

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

## **Other employee matters**

SQA's gender pay gap as at January 2022 was 5.6% (ie average hourly female salary was 94.4% of average hourly male salary — the figure for January 2021 was 6.17%). This is lower than Scotland's overall median gender pay gap of 10.4%.

We published our latest Equality Mainstreaming Report in April 2021, which is available on our website. Data for 2022 will be for internal publication only in 2022.

Our talent management approach applies to all employees, from candidacy to exit, and is underpinned by our corporate values. Workforce and succession planning are part of this approach. Succession plans have been developed for senior posts and our planning and process in this area have been internally audited.

Scottish Government's announcement to replace SQA meant that workforce planning processes had to be redesigned to take consideration of the following financial year's capacity and capability requirements. The time horizon was shortened from three years to one year to take this into account. These plans were shared with the finance teams to support financial planning for 2022–23. The sessions took place in September, and budget submissions were made in November, with workforce planning reviews in Feb 2022.

## **Employee involvement/consultation and wellbeing**

Employees are kept informed about the organisation, its people and business through a variety of channels which include corporate communications and Meet EMT events, the staff intranet and social media streams.

There is a recognition agreement in place which sets out how SQA will consult and negotiate with our recognised trades unions (more detail in the following section). Staff also participate in staff surveys, task groups and project teams which contribute to the delivery of the Corporate Plan and departmental operational plans.

SQA is committed to ensuring equality of opportunity in access to and selection for learning and development activities. These are detailed in individual and team development needs identified through the MyReview process aligned to our core purpose and strategic objectives.

We carry out an annual People Survey, to take an in-depth sounding of staff opinion. Details of the results of the last survey held in October 2021 are given in the Performance Report on page 41.

All full and part time staff on non-standard contracts have access to learning and development as appropriate for successful performance in their respective roles.

## **Trade unions**

We recognise the importance of good industrial relations and effective communication with all our colleagues. SQA recognises two trade unions: Unite and Unison. Last year an internal audit was conducted on the effectiveness of our engagement with trade unions. The output of this audit was largely positive with the

only recommendation being to implement an evaluation process to enable us to evaluate the effectiveness of engagement on a regular basis. We are currently working jointly to develop a new framework for assessing the effectiveness of the engagement between unions and management. We are also working collaboratively on several important matters of mutual interest, including policy review, driving diversity and inclusion, and planning our resources in response to changing circumstances and demands on the organisation. We are entering a period of significant change for the organisation and therefore our relationship with the trade unions and how we work collaboratively could not be more important. We will be working closely with the trade unions to develop methods of communication to ensure all colleagues feel connected to the organisation and their teams in these times of change.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. There are significant benefits to both employers and employees when organisations and unions work together effectively. SQA collates data on the total number of relevant union officials we employ, their working hours spent on facility time for trade union duties, and any paid time for trade union activities. The information required by the regulations are disclosed in the table below:

**Relevant union officials**

Number of employees who were relevant union officials during the relevant period	8
Full-time equivalent employee number	7.67

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	–
1%–50%	8
51%–99%	–
100%	–

**Percentage of pay bill spent on facility time**

Total cost of facility time	£33,814
Total pay bill	£55.026 million
Percentage of total pay bill spent on facility time	0.06%

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time	2.18%
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## Consultancy

Consultancy for 2021–22 was £100,000 (2020–21 £36,000). Further details in relation to this can be found in the Public Services Reform (Scotland) Act 2010 information published on our website.

## Exit packages

There were no exit packages during 2021–22

Exit package cost band	2022			2021		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	0	0	0	6	6
£10,000–£25,000	0	0	0	0	0	0
£25,000–£50,000	0	0	0	0	0	0
£50,000–£100,000	0	0	0	0	0	0
£100,000–£150,000	0	0	0	0	0	0
Total number of exit packages	0	0	0	0	6	6
Total cost /£	0	0	0	0	18,000	18,000

Exit packages include pay in lieu of notice and other benefits in kind.

# Parliamentary and Accountability Report

## Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £47.0m in 2021–22 (2020–21 £45.2m).

Income collected from fees to central government bodies, local authorities, colleges, employers, training providers, and overseas customers is as follows:

<b>Income</b>	<b>2021–22</b>	<b>2020–21</b>
	<b>£'000</b>	<b>£'000</b>
Entry charges*	40,087	40,055
Other income**	6,944	5,192
<b>Total fees</b>	<b>47,031</b>	<b>45,247</b>

\*Entry charge fees are invoiced for candidate entries made through our award processing system. These are mainly in relation to National Qualifications, Vocational Qualifications and Higher National qualifications. National Qualifications are charged to local authorities in the form of an annual levy which is not tied directly to the number of entries or the costs of certification. In agreement with Scottish Government this fee level has remained unchanged since 2012–13.

\*\*Other income is mainly from fees charged in relation to contract services, award development fees, and international consultancy income.

## Losses and special payments

The Statement of Comprehensive Net Expenditure includes losses which comprise a write-off of IT assets of £4k (previous year £185k), but no irrecoverable debt (previous year £16k). The bad debt provision of £392k (previous year £208k) is disclosed in note 11.

## Remote contingent liabilities

There were no contingent liabilities, other than those disclosed in note 17, at 31 March 2022 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

*Fiona Robertson*

**Fiona Robertson**

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

16 September 2022



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

## **Reporting on the audit of the financial statements**

### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of the Scottish Qualifications Authority for the year ended 31 March 2022 under the Education (Scotland) Act 1996. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying financial statements:

- ◆ give a true and fair view in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 7 June 2021. The period of total uninterrupted appointment is 1 year. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern basis of accounting**

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- ◆ obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- ◆ identifying which laws and regulations are significant in the context of the body;
- ◆ assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- ◆ considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Reporting on regularity of expenditure and income**

### **Opinion on regularity**

In my 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.

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Reporting on other requirements**

### **Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In my opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers; and
- ◆ the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

### **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- ◆ I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake

to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Michael Oliphant*

Michael Oliphant FCPFA

Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

20 September 2022

# C: Accounts 2021–22

## Statement of comprehensive net expenditure

for the year ended 31 March 2022

	Note	2021–22 £'000	2020–21 £'000
<b>Expenditure</b>			
Staff costs	3	53,958	47,646
Depreciation and amortisation charges	8(ii)	1,248	3,108
Other expenditures	4	23,638	23,290
Tax	4	363	739
		<hr/>	<hr/>
		79,207	74,783
<b>Income</b>			
Entry charges	5	40,087	40,055
Other income	6	6,944	5,192
		<hr/>	<hr/>
		47,031	45,247
<b>Net expenditure</b>		(32,176)	(29,536)
Interest payable	7	(935)	(347)
		<hr/>	<hr/>
<b>Net expenditure after interest</b>		(33,111)	(29,883)
<b>Other comprehensive net expenditure:</b>			
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	18	34,776	(23,563)
		<hr/>	<hr/>
Total comprehensive net expenditure for the year		1,665	(53,446)

The notes on pages 86–112 form part of these accounts.

## Statement of financial position

as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8(i)	4,016	2,959
Intangible assets	9	7,421	5,672
Trade and other receivables	11	837	1,755
<b>Total non-current assets</b>		<u>12,274</u>	<u>10,386</u>
<b>Current assets</b>			
Trade and other receivables	11	23,295	22,295
Cash and cash equivalents	12	6,184	3,832
<b>Total current assets</b>		<u>29,479</u>	<u>26,127</u>
<b>Total assets</b>		<u>41,753</u>	<u>36,513</u>
<b>Current liabilities</b>			
Trade and other payables	13	(10,618)	(10,456)
<b>Total current liabilities</b>		<u>(10,618)</u>	<u>(10,456)</u>
<b>Non-current assets plus net current assets</b>		<u>31,135</u>	<u>26,057</u>
<b>Non-current liabilities</b>			
Trade and other payables	13	(715)	(768)
Provisions for liabilities and charges	14	(384)	(408)
Defined benefit liability	18	(18,687)	(41,676)
<b>Total non-current liabilities</b>		<u>(19,786)</u>	<u>(42,852)</u>
<b>Assets less liabilities</b>		<u>11,349</u>	<u>(16,795)</u>
<b>Taxpayers' equity</b>			
Revaluation reserves		3,843	1,842
General reserve		7,506	(18,637)
<b>Total taxpayers' equity</b>		<u>11,349</u>	<u>(16,795)</u>

The Accountable Officer authorised these financial statements for issue on 16 September 2022.

*Fiona Robertson*

16 September 2022

**Fiona Robertson**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**

The notes on pages 86–112 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2022

	Note	2021–22 £'000	2020–21 £'000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(33,111)	(29,883)
<b>Adjustments for non-cash items</b>			
Depreciation and amortisation	8(ii)	1,248	3,108
(Gain)/Loss on non-current assets	4	4	185
Notional Optima rent	4	2,256	2,218
Increase in revaluation reserve		2,001	1,842
Revaluation of property, plant and equipment	8(i)	(1,174)	(887)
Revaluation of intangible assets	9	(828)	(955)
Decrease in defined benefit liability cost	18	11,806	5,322
<b>Movements in working capital</b>			
Decrease/(Increase) in trade and other receivables	11	(82)	28
Increase/(Decrease) in trade and other payables	13	162	1,842
<b>Movements in provisions and long-term liabilities</b>			
Increase/Decrease in provisions	14	(77)	768
<b>Net cash outflow from operating activities</b>		<u>(17,795)</u>	<u>(16,412)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8(i)	(158)	(295)
Purchase of intangible assets	9	(1,898)	(1,362)
<b>Net cash outflow from investing activities</b>		<u>(2,056)</u>	<u>(1,657)</u>
<b>Cash flows from financing activities</b>			
Scottish Government Grant-in-aid Funding	15	18,678	16,079
Scottish Government Programme Funding	15	1,025	1,025
Scottish Government Capital Funding	15	2,500	1,643
<b>Net financing</b>		<u>22,203</u>	<u>18,747</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	12	2,352	678
<b>Cash and cash equivalents at the beginning of the period</b>	12	3,832	3,154
<b>Cash and cash equivalents at the end of the period</b>		<u>6,184</u>	<u>3,832</u>

The notes on pages 86–112 form part of these accounts.



## Statement of changes in taxpayers' equity

for the year ended 31 March 2022

	Note	Revaluation reserves £'000	General reserve £'000	Total reserves £'000
<b>Balance at 31 March 2020</b>		–	13,818	13,818
<b>Changes in taxpayers' equity for 2020–21</b>				
Net (gain) on revaluation of non-current assets		1,842	–	1,842
Actuarial gain/(loss)	18	–	(23,563)	(23,563)
Unfunded benefits paid	14	–	26	26
Notional funding		–	2,218	2,218
Net expenditure after interest		–	(29,883)	(29,883)
Total recognised income and expense for 2020–21		1,842	(37,384)	(35,542)
Scottish Government funding	15	–	18,747	18,747
<b>Balance at 31 March 2021</b>		1,842	(18,637)	(16,795)
<b>Changes in taxpayers' equity for 2021–22</b>				
Net (gain) on revaluation of non-current assets		2,001	–	2,001
Actuarial gain/(loss)	18	–	34,776	34,776
Unfunded benefits paid	14	–	19	19
Notional funding		–	2,256	2,256
Net expenditure after interest		–	(33,111)	(33,111)
Total recognised income and expense for 2021–22		3,843	(14,697)	(10,854)
Scottish Government funding	15	–	22,203	22,203
<b>Balance at 31 March 2022</b>		3,843	7,506	11,349

The notes on pages 86–112 form part of these accounts.

# Notes to the accounts

## 1 Statement of accounting policies

These accounts have been prepared with the direction given by Scottish Ministers, in pursuance of Section 16 of the Education (Scotland) Act 1996.

The accounts have been prepared in accordance with the 2021–22 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 2021–22 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

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

### 1.2 Going concern

The Board of SQA has no reason to believe that future sponsorship and future ministerial approval will not be forthcoming or will provide only a reduced support to SQA. The Scottish Government recognises in the Budget Allocation and Monitoring Letter that SQA will require additional core grant-in-aid to meet operational costs in addition to that provided for in the 2021–22 Budget Bill. Given this, it has accordingly been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS 19 and include an actuarial valuation of the pension scheme liability as explained in note 18 to the accounts.

To the extent that the pension deficit is not met from SQA's sources of income, it may only be met by future grant-in-aid from SQA's sponsoring department, the Scottish Government Learning Directorate. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

### 1.3 Property, plant and equipment

Leasehold building improvements (LBIs) represent the fit-out costs for the Optima Building, Glasgow and Lowden, Dalkeith, of which SQA is tenant. Depreciated historic cost has been used as a proxy for the current value as LBIs comprise lots of individual items of relatively low value in comparison to the overall total. The depreciation charge is calculated using a rate considered 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 statement of comprehensive net expenditure during the financial year in which they are incurred.

Assets at the end of their useful life that remain in use and assets where additional life has been identified have been revalued to recognise their additional value in use.

The threshold for capitalising assets is £3,000.

#### **1.4 Depreciation**

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

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

Assets may continue in use beyond their initial estimated useful life. Where this is the case an estimation of the remaining useful life will be made along with a subsequent adjustment to recognise the remaining value in use.

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

#### **1.5 Intangible assets**

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

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

Future economic benefit has been used as the criterion 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

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Assets at the end of their useful life that remain in use and assets where additional life has been identified have been revalued to recognise their additional value in use.

## **1.6 Income recognition**

Income from entry charges is derived from three types of core award: National Qualifications, Higher National Qualifications, and vocational qualifications.

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

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

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

## **1.7 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.

## **1.8 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.

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

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

### **1.10 Grants receivable**

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

### **1.11 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'.

### **1.12 Taxation**

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

SQA suffers withholding tax, a tax deducted at source levied by overseas countries on interest, dividends, and royalties to a person or organisation resident outside of that country, on income earned from overseas activities.

### **1.13 VAT**

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

### **1.14 Pensions**

All eligible employees are entitled to membership of the Local Government Pension Scheme (LGPS). Existing employees who are already members of the Scottish

Government Teachers' Superannuation Scheme (STSS) are entitled to maintain their membership of that scheme. Employer's contributions to the STSS are accounted for as they fall due.

Employer's contributions to the LGPS are accounted for under the requirements of IAS 19 'Employee Benefits' (see note 18).

The accounts have been prepared to reflect the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SQA. Hymans Robertson, the actuary to the pension scheme, has collated the information from the LGPS funds in which SQA participates, and has calculated the liability arising under IAS 19. The actuary to each of the LGPS funds in which SQA participates conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2020 and the next formal valuation is due at 31 March 2023. In preparing the projected pension expense for the year to 31 March 2022, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers.

### **1.15 Significant estimations and judgements**

Income adjustments are made to reflect, as accurately as possible, the income that should be matched to activity within the accounting period. We make adjustments for HN, VQ and NQ qualifications. In each case, the length of the qualification, number of entries and price are used to calculate the relevant adjustment. In the case of NQ the adjustment is split between the levy charged to local authorities and charges made to other centres.

These adjustments follow our income recognition policy to ensure consistency in our approach. Each adjustment is made to ensure that the figures show a true and fair representation of the income from candidate entries in a particular financial year.

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, commissioned by Strathclyde Pension Fund, is engaged to provide the Board with expert advice about the assumptions to be applied.

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.810m.

However, the assumptions interact in complex ways. During 2021–22, the actuaries advised that the remeasured net pension liability had decreased by: £80.155m attributable to the updating of financial assumptions; £1.795m attributable to changes in demographic assumptions; and had increased £0.669m due to other

experience. The net liability had reduced to a lesser extent mainly due to a reduction on expected return on pension fund assets of £12.354m.

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

All new standards issued and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM which is in force for the year in which the changes become applicable. The standard which is considered relevant to the SQA and the anticipated impact on the financial statements is as follows:

#### **IFRS 16 — Leases**

This standard has been created to harmonise the rules regarding leases between the IASB and the FASB in the United States. It will supersede the existing IAS 17 and was due to come into effect in the public sector on 1 April 2021 but this has now been deferred until April 2022. The effect of IFRS 16 will be to reclassify leases that were previously treated as operating leases, requiring capitalisation of the underlying assets. This will impact on the SQA financial statements. All future lease payments would need to be recognised as a Right of Use (RoU) Asset together with a corresponding lease liability in the Statement of Financial Position. Lease payments will no longer be made through the Statement of Comprehensive Net Expenditure (SOCNE) and instead will be accounted for by charging depreciation on the RoU asset and interest on the liability.

The Board has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2022. The standard is expected to increase total expenditure by £2.9 million. Right of use assets totalling £28 million will be brought onto the Statement of Financial Position.

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

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

### **Awarding and related activities**

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

### **Accreditation activities**

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



	<b>Awarding and related activities £'000</b>	<b>Accreditation £'000</b>	<b>Total £'000</b>
<b>2021–22</b>			
Staff costs	52,954	1,004	53,958
Depreciation	1,248	–	1,248
Other expenditures	23,541	97	23,638
Taxation	363	–	363
<b>Total expenditure</b>	<b>78,106</b>	<b>1,101</b>	<b>79,207</b>
Entry charges	40,087	–	40,087
Other income	6,944	–	6,944
Scottish Government funding	21,178	1,025	22,203
	68,209	1,025	69,234
Funding credited to reserves	(21,178)	(1,025)	(22,203)
<b>Total income</b>	<b>47,031</b>	<b>–</b>	<b>47,031</b>
<b>Net expenditure</b>	<b>(31,075)</b>	<b>(1,101)</b>	<b>(32,176)</b>
<b>2020–21</b>			
Staff costs	46,656	990	47,646
Depreciation	3,108	–	3,108
Other expenditures	23,196	94	23,290
Taxation	739	–	739
<b>Total expenditure</b>	<b>73,699</b>	<b>1,084</b>	<b>74,783</b>
Entry charges	40,063	–	40,063
Other income	5,184	–	5,184
Scottish Government funding	17,722	1,025	18,747
	62,969	1,025	63,994
Funding credited to reserves	(17,722)	(1,025)	(18,747)
<b>Total income</b>	<b>45,247</b>	<b>–</b>	<b>45,247</b>
<b>Net expenditure</b>	<b>(28,452)</b>	<b>(1,084)</b>	<b>(29,536)</b>

SQA's awarding and related activities are carried out across the UK and internationally. The chart of accounts and customer hierarchy enables reporting on geographical segments. However, as the value of these segments is under the reporting threshold this information is not disclosed.

### 3 Staff costs

	2021–22 £'000	2020–21 £'000
Wages and salaries	33,342	33,561
Social security costs	3,405	3,154
Other pension costs	17,211	10,915
Severance and compensation	–	16
<b>Sub-total</b>	<b>53,958</b>	<b>47,646</b>
Less recoveries in respect of outward secondments	–	–
<b>Total net costs</b>	<b>53,958</b>	<b>47,646</b>

In addition to staff costs recorded above there were capitalised salary costs of £1,068,000 (2021: £706,000).

Additional information on staff related costs are disclosed in the Remuneration and Staff Report section of the Accountability Report (section B).

### 4 Other expenditures

	2021–22		2020–21	
	£'000	£'000	£'000	£'000
IT costs		5,861		6,220
Business development specialists' fees and expenses		5,709		4,483
Property rent and service		3,328		3,285
Appointee fees		2,541		2,827
Property expenses		1,239		1,388
Miscellaneous		1,165		881
PR, marketing and publications		881		1,020
Postage and telephone		851		976
Miscellaneous staff costs	533		537	
Staff training	207		178	
Staff travel	20		3	
Staff subsistence	18		13	
Catering for internal and examination procedures meetings	3		1	
Staff related costs		781		732
Appointee release compensation		374		139
Corporation Tax		363		739
Equipment and supplies		360		316

Appointee expenses and related costs	278	260
Assessment stationery and certificates	146	309
Question paper production and printing	124	454
	<u>24,001</u>	<u>24,029</u>

Included within Property expenses is a notional charge of £2,256,000 (2021: £2,218,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow. Also included are expenses totalling £1,043,000 (2021: £1,043,000) in relation to the annual rent of SQA's leasehold at Lowden, Dalkeith.

Included within Miscellaneous is £49,950 (2021: £49,020) relating to external audit fees.

Included within Miscellaneous is £4,000 (2021: £185,000) relating to loss on sale of fixed assets.

	2021–22 £'000	2020–21 £'000
<b>5 Entry charges</b>		
National Qualifications:		
National Courses and Units	29,683	30,310
Post-results Services	–	–
	<u>29,683</u>	<u>30,310</u>
Higher National Qualifications	6,127	5,837
Scottish Vocational Qualifications	4,277	3,908
	<u>40,087</u>	<u>40,055</u>

## 6 Other income

Commercial testing services	5,821	4,637
Customised award charges	725	288
Replacement certificate charges	218	92
Consultancy, secondments and research	116	109
Royalty income	47	38
Miscellaneous income	17	22
Other interest income	–	7
Sale of publications	–	1
Income from investments for unfunded pensions	–	–
Commercial events	–	(2)
	<u>6,944</u>	<u>5,192</u>

## 7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	5	4
Pension provision cost (note 18)	(940)	(351)
	<u>(935)</u>	<u>(347)</u>

## 8 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2021	6,559	3,233	72	117	422	10,403
Additions	–	158	–	–	–	158
Reclassifications	–	–	–	–	–	–
Disposals	–	(550)	–	–	–	(550)
Revaluation Adjustment	800	234	17	35	88	1,174
<b>At 31 March 2022</b>	<b>7,359</b>	<b>3,075</b>	<b>89</b>	<b>152</b>	<b>510</b>	<b>11,185</b>
<b>Depreciation</b>						
At 1 April 2021	4,618	2,399	63	103	261	7,444
Charged in year	175	514	8	13	78	788
Reclassifications	–	–	–	–	–	–
Disposals	–	(546)	–	–	–	(546)
Revaluation Adjustment	(34)	(436)	(8)	(13)	(26)	(517)
<b>At 31 March 2022</b>	<b>4,759</b>	<b>1,931</b>	<b>63</b>	<b>103</b>	<b>313</b>	<b>7,169</b>
<b>Net book value</b>						
<b>At 31 March 2022</b>	<b>2,600</b>	<b>1,144</b>	<b>26</b>	<b>49</b>	<b>197</b>	<b>4,016</b>
<b>At 31 March 2021</b>	<b>1,941</b>	<b>834</b>	<b>9</b>	<b>14</b>	<b>161</b>	<b>2,959</b>
<b>Asset financing:</b>						
Owned	2,600	1,144	26	49	197	4,016
Finance lease	–	–	–	–	–	–
<b>Net book value at 31 March 2022</b>	<b>2,600</b>	<b>1,144</b>	<b>26</b>	<b>49</b>	<b>197</b>	<b>4,016</b>

All capital additions in the year were financed by government funding.

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2020	5,810	4,143	97	489	360	10,899
Additions	–	233	–	–	62	295
Reclassifications	–	–	–	–	–	–
Disposals	–	(1,281)	(25)	(372)	–	(1,678)
Revaluation Adjustment	749	138	–	–	–	887
<b>At 31 March 2021</b>	<b>6,559</b>	<b>3,233</b>	<b>72</b>	<b>117</b>	<b>422</b>	<b>10,403</b>
<b>Depreciation</b>						
At 1 April 2020	4,442	2,996	79	461	183	8,161
Charged in year	378	763	9	14	78	1,242
Reclassifications	–	–	–	–	–	–
Disposals	–	(1,281)	(25)	(372)	–	(1,678)
Revaluation Adjustment	(202)	(79)	–	–	–	(281)
<b>At 31 March 2021</b>	<b>4,618</b>	<b>2,399</b>	<b>63</b>	<b>103</b>	<b>261</b>	<b>7,444</b>
<b>Net book value</b>						
<b>At 31 March 2021</b>	<b>1,941</b>	<b>834</b>	<b>9</b>	<b>14</b>	<b>161</b>	<b>2,959</b>
<b>At 31 March 2020</b>	<b>1,368</b>	<b>1,147</b>	<b>18</b>	<b>28</b>	<b>177</b>	<b>2,738</b>
<b>Asset financing:</b>						
Owned	1,941	834	9	14	161	2,959
Finance lease	–	–	–	–	–	–
<b>Net book value at 31 March 2021</b>	<b>1,941</b>	<b>834</b>	<b>9</b>	<b>14</b>	<b>161</b>	<b>2,959</b>

All capital additions in the year were financed by government funding.

(ii) Depreciation and amortisation charges

	<b>Note</b>	<b>2021–22 £'000</b>	<b>2020–21 £'000</b>
Depreciation charge for the year	8(i)	271	961
Amortisation and impairment charge for the year	9	977	2,147
<b>Total charge for the year</b>		<u>1,248</u>	<u>3,108</u>

## 9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2021	237	690	11,841	1,457	14,225
Additions	–	–	696	1,202	1,898
Reclassifications	–	–	–	–	–
Transfers	–	–	995	(995)	–
Revaluation					
Adjustment	63	(27)	792	–	828
Disposals	–	(385)	(2,755)	–	(3,140)
<b>At 31 March 2022</b>	<b>300</b>	<b>278</b>	<b>11,569</b>	<b>1,664</b>	<b>13,811</b>
<b>Amortisation</b>					
At 1 April 2021	203	545	7,805	–	8,553
Charged in year	–	38	2,495	–	2,533
Revaluation					
Adjustment*	–	–	(1,556)	–	(1,556)
Disposals	–	(385)	(2,755)	–	(3,140)
<b>At 31 March 2022</b>	<b>203</b>	<b>198</b>	<b>5,989</b>	<b>–</b>	<b>6,390</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>97</b>	<b>80</b>	<b>5,580</b>	<b>1,664</b>	<b>7,421</b>
<b>At 31 March 2021</b>	<b>34</b>	<b>145</b>	<b>4,036</b>	<b>1,457</b>	<b>5,672</b>
Externally generated	97	80	5,580	1,664	7,421

	Web costs £'000	Licences £'000	Software £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2020	203	639	12,562	1,047	14,451
Additions	–	–	80	1,282	1,362
Reclassifications	–	–	–	–	–
Transfers	–	–	687	(687)	–
Revaluation					
Adjustment	34	51	869	–	954
Disposals	–	–	(2,357)	(185)	(2,542)
<b>At 31 March 2021</b>	<b>237</b>	<b>690</b>	<b>11,841</b>	<b>1,457</b>	<b>14,225</b>
<b>Amortisation</b>					
At 1 April 2020	203	507	8,053	–	8,763
Charged in year	–	38	2,436	–	2,474

Revaluation					
Adjustment	–	–	(327)	–	(327)
Disposals	–	–	(2,357)	–	(2,357)
<b>At 31 March 2021</b>	<u>203</u>	<u>545</u>	<u>7,805</u>	<u>–</u>	<u>8,553</u>
<b>Net book value</b>					
<b>At 31 March 2021</b>	<u>34</u>	<u>145</u>	<u>4,036</u>	<u>1,457</u>	<u>5,672</u>
<b>At 31 March 2020</b>	<u>–</u>	<u>132</u>	<u>4,509</u>	<u>1,047</u>	<u>5,688</u>
Externally generated	34	145	4,036	1,457	5,672
	<u>34</u>	<u>145</u>	<u>4,036</u>	<u>1,457</u>	<u>5,672</u>

## 10 Financial instruments

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

## 11 Trade and other receivables

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	5,143	3,480
Other receivables	9	10
Prepayments and accrued income	18,143	18,805
	<u>23,295</u>	<u>22,295</u>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	837	1,755
	<u>837</u>	<u>1,755</u>

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



Local authorities	49	38
Other central government bodies	24	85
NHS body	2	5
	75	128

Included within trade receivables is a bad debt provision of £392,000 (31 March 2021: £208,000). During the year, £nil of bad debt was written off (31 March 2021: £16,000).

Included within other receivables are loans to staff (mainly travel pass loans) amounting to £5,000 (31 March 2021: £7,000).

## 12 Cash and cash equivalents

<b>Balance at 1 April 2021</b>	3,832	3,154
Net change in cash and cash equivalent balances	2,352	678
<b>Balance at 31 March 2022</b>	6,184	3,832

The following cash balances were held at 31 March 2022:

Government banking service	(750)	350
Commercial banks and cash in hand	6,934	3,482
	6,184	3,832

Included within cash and cash equivalents are funds held on behalf of a staff Christmas savings scheme of £nil (31 March 2021: £85,000).

## 13 Trade and other payables

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
<b>Amounts falling due within one year:</b>		
VAT	2	5
Other taxation and social security	951	936
Trade payables	92	315
Other payables	726	954
Accruals and deferred income	8,847	8,246
	<hr/> 10,618	<hr/> 10,456
<b>Amounts falling due after more than one year:</b>		
Accruals and deferred income	<hr/> 715	<hr/> 768

## 14 Provisions for liabilities and charges

SQA unfunded pensions	<hr/> 384	<hr/> 408
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### (i) SQA unfunded pensions

	£'000
<b>Balance at 1 April 2020</b>	437
Provisions not required written back	–
Provisions utilised in the year	(26)
Unwinding of discount	(3)
<b>Balance at 31 March 2021</b>	<hr/> 408
Provisions not required written back	–
Provisions utilised in the year	(19)
Unwinding of discount	(5)
<b>Balance at 31 March 2022</b>	<hr/> 384

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

## 15 Government funding

	2021-22 £'000	2020-21 £'000
Scottish Government accreditation	1,025	1,025
	<hr/>	<hr/>
	1,025	1,025
Grant-in-aid	18,678	16,079
Capital funding	2,500	1,643
	<hr/>	<hr/>
	22,203	18,747

In addition to the amounts detailed above there is additional Notional Funding received of £2,256,000 (2021: £2,218,000) in relation to property rental for our Glasgow office.

## 16 Commitments under leases

### Operating leases

The Scottish Government (Scottish Ministers) 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. This lease was subsequently extended to 26 March 2030 in September 2020. Included within the lease extension are two break options in 27 March 2027 and 27 March 2029 and a rent free period in year on up to the 26 August 2021. 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).

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

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,676	1,769
Later than one year but not later than five years	6,703	7,075
Later than five years	6,703	7,075
	<u>15,082</u>	<u>15,919</u>

The Scottish Government entered into a 15-year lease in October 2011 with the owners of Lowden in Dalkeith. This lease was subsequently extended to 2035 in September 2016. SQA is the tenant of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. The treatment of this arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 15).

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

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,043	1,043
Later than one year but not later than five years	4,172	4,172
Later than five years	8,878	9,921
	<hr/> 14,093	<hr/> 15,136

There are no other operating leases.

Charges in relation to leases are recorded within Note 4 to the accounts under Property Expenses.

### **Finance leases**

There are no finance leases in operation.

## **17 Contingent liabilities**

A legal ruling in relation to the Goodwin equal treatment case in the Teachers' Pension Scheme may have an impact across other public service pension schemes. Scheme rules are to be amended to ensure the pension entitlement of male survivors within opposite-sex marriages and civil partnerships are treated in the same way as survivors of same-sex marriages and civil partnerships. The consequences may impact on future pension contributions rates but initial indications suggest that any impact would be immaterial.

There were no other known contingent liabilities at 31 March 2022 (31 March 2021: £nil).

## **18 Pension costs**

The Local Government Pension Scheme (LGPS) is a group defined benefit scheme. Responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The fund is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018 and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded, multi-employer defined benefit scheme covering teachers and related occupations. It 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 £6,364,000 (31 March 2021: £5,940,000), consisting of £6,316,000 (31 March 2021: £5,885,000) to the LGPS Scheme and £48,000 (31 March 2021: £55,000) to the STSS Scheme. Included within other payables (note 14) are outstanding contributions of £704,000 (31 March 2021: £660,000) due to the LGPS Scheme and £5,000 (31 March 2021: £7,000) due to the STSS Scheme at 31 March 2022. In 2022–23 total contributions to LGPS are expected to be £6,305,000.

Actuarial valuations for both schemes are prepared, with the last LGPS valuation to 31 March 2020 and the last STSS valuation being to 31 March 2016. Details of these valuations can be obtained from published reports.

Valuation of the Strathclyde Pension Fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.

- (a) The SQA participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019, and an anticipated yield of 9.4% from employees' contributions.
- (b) The SQA has no liability for other employers' obligations to the multi-employer scheme.
- (c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
- (d)
  - (i) The scheme is an unfunded multi-employer defined benefit scheme.
  - (ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the SQA is unable to identify its share of the underlying assets and liabilities of the scheme.
  - (iii) The employer contribution rate for the period from was 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
  - (iv) While a valuation was carried out as at 31 March 2016, it is not possible to

say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms were unlawfully discriminatory on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known, and its impact has been fully assessed in relation to any additional costs to the scheme.

(v) The SQA level of participation in the scheme is 0.02% based on the proportion of employer contributions paid in 2017–18.

The SQA is notified by LGPS of the employer's contribution rates for the scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 level of 19.3% of pay until 31 March 2023.

The following information relates to the Strathclyde LGPS.

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

	<b>2021–22</b>	<b>2020–21</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	17,152	10,827
Past service cost	–	–
Interest on obligation	5,241	4,373
Expected return on plan assets	(4,301)	(4,022)
	<u>18,092</u>	<u>11,178</u>

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

Staff costs	17,152	10,827
Interest payable	940	351
	<u>18,092</u>	<u>11,178</u>

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

	<b>2021–22</b>	<b>2020–21</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(252,898)	(254,506)
Fair value of employer assets	234,211	212,830
Net (under) funding in funded plans	<u>(18,687)</u>	<u>(41,676)</u>
Present value of unfunded obligations	–	–
<b>Net (liability)</b>	<u>(18,687)</u>	<u>(41,676)</u>

Amounts in the statement of financial position:

Defined benefit liability (18,687) (41,676)

**Net (liability)** (18,687) (41,676)

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
--	--	--

Movement in present value of defined benefit obligation

Opening defined benefit obligation	254,506	185,675
Current service cost	17,152	10,827
Past service cost	–	–
Interest cost	5,241	4,373
Actuarial loss from change in demographic assumptions	–	–
Actuarial loss from change in financial assumptions	(21,360)	58,795
Actuarial loss from change in demographics	(1,545)	(3,340)
Other experience	483	(186)
Contributions by members	2,171	1,999
Benefits paid	(3,750)	(3,637)
Closing defined benefit obligation	<u>252,898</u>	<u>254,506</u>

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
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Movement in fair value of plan assets

Opening fair value of plan assets	212,830	172,887
Contributions by employer	6,305	5,853
Interest income on plan assets	4,301	4,022
Contributions by members	2,171	1,999
Expected return on plan assets	12,354	39,829
Other Experience	-	(8,123)
Benefits paid	(3,750)	(3,637)

**Closing fair value of plan assets** 234,211 212,830



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

	31 March 2022				31 March 2021			
	Quoted prices in active markets £'000	Prices not quoted in active markets £'000	Total £'000	%	Quoted prices in active markets £'000	Prices not quoted in active markets £'000	Total £'000	%
Equity securities	51,495	111	51,606	22	48,263	255	48,518	23
Debt securities	–	–	–	–	–	–	–	–
Private equity	–	45,850	45,850	20	–	39,195	39,195	18
Real estate	–	19,752	19,752	8	–	17,315	17,315	8
Investment funds and unit trusts	1,299	109,744	111,043	47	1,954	101,868	103,822	49
Derivatives	–	–	–	–	(15)	–	(15)	–
Cash and cash equivalents	5,881	79	5,960	3	3,883	112	3,995	2
<b>Total</b>	<b>58,675</b>	<b>175,536</b>	<b>234,211</b>	<b>100</b>	<b>54,085</b>	<b>158,745</b>	<b>212,830</b>	<b>100</b>

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

	2021–22 £'000	2020–21 £'000
Actuarial gain/(loss) arising on the defined benefit obligation	22,422	(55,269)
Actuarial (loss)/gain arising on the fair value of the plan assets	12,354	31,706
<b>Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity</b>	<b>34,776</b>	<b>(23,563)</b>

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

	<b>2021–22</b>	<b>2020–21</b>
	%	%
Pension increase rate	3.2	2.85
Salary increase rate	3.9	3.55
Discount rate	2.7	2.00

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

	<b>Males</b>	<b>Females</b>
Current pensioners	19.6 years	22.4 years
Future pensioners	21.0 years	24.5 years

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

<b>Change in assumptions at 31 March 2022:</b>	<b>Approximate % increase to employer</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in real discount rate	2%	5,810
1 year increase in member life expectancy	4%	10,116
0.1% increase in the salary increase rate	0%	685
0.1% increase in the pension increase rate	2%	5,077

The discount rate is derived from a corporate bond yield curve constructed from yields on high quality bonds. The discount rate is then set based on SQA's weighted average duration of 22 years.

The salary increase assumption is 3.9% pa, which is set relative to the retail price index (RPI)/consumer price index (CPI) assumption at the reporting date.

The pension increase assumption is in line with the CPI.

## **19 Events after the end of the reporting period**

There were no known events after the reporting period to disclose.

## 20 Related-party transactions

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

The Learning Directorate is regarded as a related party. During the year, SQA has had various material transactions with the Directorate (note 15). At the year-end, there were no balances outstanding (31 March 2021: £nil). In addition, SQA has had material transactions with other Scottish Government Directorates. At the year-end, there were no balances outstanding (2021: £nil).

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 Joint Council for Qualifications is a related party as SQA Chief Executive, Fiona Robertson, holds the position of Director there. In the period to 31 March 2022, £83,000 (31 March 2021: £nil) of charges were incurred by SQA to the Joint Council for Qualifications. At the year-end, £nil were outstanding. In addition, £nil of charges were levied by SQA to the SCQF (31 March 2021: £13,000). At the year-end, £nil (31 March 2021: £nil) remained outstanding.

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	
	2021–22 £'000	2020–21 £'000	2021–22 £'000	2020–21 £'000	2022 £'000	2021 £'000
<b>Forth Valley College</b> SQA Board Member, Ken Thomson, holds the position of Principal and Chief Executive there	331	314	–	–	2	11
<b>JISC*</b> SQA Board Member, Ken Thomson, held the position of Trustee and Board Member there	–	–	–	1	–	–
<b>Newbattle Abbey</b> College Trust SQA Board Member, Hamish McKay, holds the position of part-time secretary there	6	8	–	–	–	–

**Skills Development  
Scotland**

SQA Board Member,  
Grahame Smith, holds  
the position of non-  
executive director there

17      17      6      –      –      –

**St John's RC Academy**

SQA Board Member,  
Seán Hagney, holds the  
position of headteacher  
there

–      69      –      –      –      –

**Dumfries and Galloway  
College**

SQA Board Member,  
Anna Davis, carried out  
consultancy work at the  
college during 2021/22

155      –      –      –      54      –

**SCQF**

SQA Executive Team,  
Fiona Robertson, holds  
the position of Director  
there

–      13      –      –      –      –

**Joint Council for  
Qualifications**

SQA Executive Team,  
Fiona Robertson, holds  
the position of Director  
there

–      –      83      –      –      –

\*Ken Thomson left his position as trustee and board member on 31 January 2021

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 Lister'.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006

# Appendix 1

## Outcomes and Deliverables

We provide a credible qualifications system

We are flexible in meeting customer needs

We have a sustainable business operating model that is appropriately resourced in order to deliver our remit now and in the future

We are a thriving organisation with quality jobs and a fair work environment for all our people

We are trusted, respected and valued by our customers, stakeholders and partners



### Perform

National Qualifications delivery to plan	Higher National, Vocational & International delivery to plan
Deliver Contracts in line with Service Level Agreements	Continue to develop and improve our portfolio of qualifications
Ensure high levels of colleague engagement	Meet financial targets for (i) income and (ii) expenditure
Ensure SQA is compliant with all legislative, statutory, and regulatory requirements (including qualifications regulators)	

### Plan

Develop a data strategy that determines the data SQA keeps, uses and shares	Deliver SQA's Environmental Impact strategy
Develop a Research Strategy	Deliver a People Strategy
Develop a delivery plan to support the 2020 Capital Spending Review submission	Develop our Promotional Media Strategy
Develop SQA's Service Design strategy	Implement a reviewed and refreshed Brand Strategy
Deliver the Strategic Change Programme	Develop and embed a Stakeholder Management Strategy

### Progress

Implement the duty of Best Value in line with the Scottish Public Finance Manual	Provide 'Values Led Leadership' learning opportunities for all staff
Commence delivery of full organisation-wide ISO 9001 certification	Deliver the Assessment Futures project
Review available third-party accreditations and determine which will bring SQA most benefit	Review and update all policies to ensure they are both up-to-date and consistently applied
Strengthen our relationships with key Scottish stakeholders and institute more cross-organisational activity	Deliver the Product Portfolio Futures project
Implement an operational excellence methodology for SQA	Pilot a comprehensive team-based approach to measuring the perception of SQA's