



# Annual Report and Accounts 2019–20

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[www.sqa.org.uk](http://www.sqa.org.uk)

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# Welcome

These are the Annual Report and Accounts of the Scottish Qualifications Authority's (SQA) for 2019–20. They provide a review of the organisation as a whole, and of its activities during this 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 Strategic Goals that align with the Scottish Government's National Outcomes. 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, and other stakeholders. Your support is vital to our successes, and to our ability to meet challenges. This has been particularly evident in the last month covered by this report, as we have all had to adapt to the very challenging implications of the COVID–19 pandemic. 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

## Overview

This overview section explains what SQA is, how we work, and what we have been doing over the period April 2019 to March 2020. 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 expands on this overview, 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 2019 to March 2020, 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** 2018–19, which ended with the publication of results in August 2019.

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

Like most years, 2019–20 has been full of both challenge and opportunity for SQA. Much has been achieved by all parts of the organisation in our endeavours to deliver for learners and the professionals who work with them, here in Scotland and beyond.

But like every other part of society, the financial year has ended with us facing one of the biggest public health emergencies of recent times. The full eventual impact of the COVID–19 coronavirus pandemic is unknown, but it is widespread and will certainly be long-lasting.

As a key part of Scotland’s education and training system, we are, like all other parts of the system, in an unprecedented and uniquely challenging situation. On 19 March 2020 the Deputy First Minister, John Swinney MSP, announced the cancellation of the 2020 examination diet, in line with the latest public health advice. This is the first time Scotland’s annual exam timetable has been cancelled since it began in 1888. Vocational training, licence to practice qualifications and apprenticeships have also been affected.

We are adapting to meet all the challenges that confront us with a level of commitment and determination that, in my eight months in post, I have quickly learned SQA staff have in abundance.

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 that they need for the future.

We work with many stakeholders and partners to achieve our goals: schools, colleges, training providers, and employers, as well as professional and national bodies. We are working towards our shared goal of delivering a first-class education and training experience for our learners.

This year, we have completed the revision of National Qualifications, as requested by the Scottish Government’s Assessment and National Qualifications stakeholder group. Revised Advanced Highers have been delivered during the 2019–20 session.

SQA has a responsibility to ensure that qualifications continue to fulfil the requirements of subject breadth and depth. We have continued to provide support to teachers and lecturers in several ways. This includes regular face-to-face engagement with our liaison team, and with subject implementation managers, who are seconded teachers. We have also provided an extensive programme of subject events, webinars and audio presentations to support the changes.

Our Change Programme has brought improvements for our people, processes and technology. With the completion this year of the network upgrade, we are already seeing the benefits for the organisation. We continue to modernise and update the business systems that support and enable all our activities. We are implementing a robust and scalable platform for the future and will see the full benefits of this for years to come.

We seek to engage with all those we work with and support, and continue to gather feedback and evidence to understand how our qualifications are operating and how to improve them.

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. 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.

I joined the organisation in July and was quickly struck by the professionalism and the sense of pride that all SQA's people take as they work together to deliver and support people in realising their potential and achieving their ambitions.

To help focus that drive, we have spent time consulting with members of staff in the last few months of this year, to develop a new Performance Management Framework, aligned to our values, allowing all of us in SQA to see clearly the part we play in delivering our strategic outcomes. As a matter of good practice we have also started a review of our existing internal governance arrangements and making improvements where necessary.

You will find more detail in what follows on these and other activities and initiatives that illustrate how we support the best educational experience possible for our learners, and for the benefit of the Scottish economy and society.

**Fiona Robertson**

**Chief Executive**

**Scottish Qualifications Authority**

## SQA's purpose and activities

SQA is the national accreditation and awarding body in Scotland. This means it has developed, and continues to develop, maintain, and improve, a framework of qualifications gained at Scotland's schools, colleges, employers and training providers, including:

- ◆ 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
- ◆ A range of vocational qualifications, developed with industry partners, and responding to perceived skills needs

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). 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.

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

## Business model and environments

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 closing quarter of 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 national exam diet was cancelled, and work was directed 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.

Alternative certification awards were published, on schedule, on 4 August 2020. These were developed from centre estimates, which then underwent a process of moderation to attain an aggregate comparability with results issued in previous years. In the week following 4 August we saw significant challenge to the results of this process. On 11 August the Deputy First Minister (and Cabinet Secretary for Education and Skills) made a statement to the Scottish Parliament and issued a Ministerial Direction to SQA requiring: acceptance of the original centre estimates where these had been moderated down; maintenance of any upward moderated grades; and putting in place a revised appeals process. SQA complied with that direction.

## **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 also 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 jointly by the EMT and the non-executive members of the Board of Management, 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 Strategic Goals. These goals set out our aims and aspirations as an organisation that makes a vital contribution to the wellbeing, progress, and development of Scottish society as a whole, and of the individuals who form part of it. They cover both our accreditation and awarding functions, and align with and support the Scottish Government's National Outcomes. These are the nine Strategic Goals we worked towards during 2019–20. We refer to the Goals by number in the text of this report:

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

During the period under review, we carried out an internal consultation and development exercise to assess and update the ways we express, implement and monitor our strategy as an organisation. As a result of this process, we now have our five Strategic Outcomes, which we have published in our Corporate Plan for 2020–23. These will replace the Strategic Goals as guidance during the period of this plan and beyond.

As the Strategic Goals did before, the new Outcomes are intended to help us in our aim of maintaining, developing, and continually improving our qualifications, accreditation, and other activities. We seek to do this through continued engagement with those who use and are affected by our products and services. We are open to feedback, and are very willing to respond to it.

## 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 2019–20:

Type	Description	Risk Appetite*	Key mitigations
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>
People and Resources	Multiple demands on staff resource	Balanced risk appetite	<ul style="list-style-type: none"> <li>◆ Plan for required staff skills and numbers</li> </ul>
	Recruit/retain key staff	Balanced risk appetite	<ul style="list-style-type: none"> <li>◆ Cyclical review of market supplements to address significant pay differentials with other sectors</li> <li>◆ Maintain quality of working environment</li> </ul>
	Staff dispute	Minimal risk appetite	<ul style="list-style-type: none"> <li>◆ Resolve through negotiation with recognised unions</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 diet 2020</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 goals — ‘Minimal’ means SQA prefers options with a low level of inherent risk in this area; ‘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. ‘Cautious’ means a preference for safe delivery options with a low degree of residual risk.

## **Going concern**

The Board of SQA has no reason to believe that the Scottish Government Learning Directorate's future sponsorship and future ministerial approval will not be forthcoming or that it will not ensure adequate resources are made available to SQA to deliver its commitments. The Scottish Government recognises in the Budget Allocation and Monitoring Letter that SQA will require additional core grant-in-aid to meet operational costs. Given this, it has been considered appropriate to adopt a going-concern basis for the preparation of the financial statements in section C.

# Performance summary

This section of the report 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. We give more detailed facts and figures about our activities over the year in the performance analysis section.

## 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 [Strategic Goals 1, 2, 5, 7 and 9](#).

The [Annual Statistical Report](#) is due to be published in August 2020, and will give details of entries and results for all our qualification types in the 2018–19 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 Qualification.

### Development of revised National Qualifications

This year, SQA completed the revision of assessment in National Qualifications, responding to the direction provided by the Scottish Government in September 2016 to remove assessed units from National 5, Higher, and Advanced Higher courses.

We focused on Advanced Higher courses this year. Changes to documentation in relation to the September 2016 directive are now complete. We have continued to streamline documentation for NQs, cutting down on duplication of information, in response to feedback on documents and web pages.

As we complete our work in implementing the changes to assessment in National Courses, we are grateful to schools and colleges across Scotland for the ongoing partnership we have with them. Our common goal has been to reduce workload for teachers and candidates while maintaining the integrity and credibility of 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, in line with [Strategic Goal 2](#). We also respond to needs in the college sector with representation on planning groups and being actively involved in the network itself.

## HN Next Generation

SQA has continued its work to develop 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 that the digital revolution and the changing economy, and changes in the education landscape, and the learner journey all have on qualifications. Reflecting these changes in the environment, we are developing radical new approaches to HNC/D design under the project title HN Next Generation. This new design places meta-skills at the heart of the new qualifications, in recognition of the critical part these 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 (SfW)**

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 communications to ensure that our messages are clear and concise. [Strategic Goal 4](#) aims to ensure that our communications are ‘appropriate, clear and timely’ and tailored to the needs of learners, customers and stakeholders. We seek feedback by, for instance, speaking face-to-face with teachers, head teachers, lecturers, college principals, and training providers at as many centres as possible. We have used their comments to streamline qualifications development and course documentation, and to improve the methods by which we communicate with them, as well as with learners. This continued in the period 2019–20 through engagement with the Liaison Team, regional managers, subject implementation managers and qualification support teams.

A programme of continuous improvement takes place across our digital channels. It has included changes to [sqa.org.uk](http://sqa.org.uk) based on user feedback, and enhancements to unit search and site search. This makes our website easier for people to use.

We have expanded the ways we use digital technologies to engage with people and enhance our products and services.

## 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 involves visiting a centre to check that internal assessment meets the appropriate standards. Facilities, staff and processes are verified on separate systems verification visits. This activity is risk-based, and takes into account the experience and previous track record of centres in delivering qualifications, and the sector and nature of the qualification (for example, licence to practise qualifications, or qualifications with a health and safety element, attract a higher level of risk rating than do more straightforwardly competence-based qualifications). Where a product is being delivered for the first time, there is a particular focus on ensuring appropriate standards are established.

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.

## College Quality Focus Group

We continue to support our college customers, particularly through the College Quality Focus Group, which brings representatives from each of the college regions together with colleagues from SQA to discuss issues that may affect the quality of National and Higher National Qualifications. The group normally meets five or six times a year and holds an annual event for quality managers from the sector. During the early stages of the COVID-19 emergency an extended college focus group was established which met twice a week.

## Appointees

Some 15,000 appointees (teachers, lecturers, subject experts, markers, invigilators and other roles) supported the development, delivery, and certification of SQA's qualifications in the academic year 2018-19. Their contribution of time, skills, and expertise is of fundamental importance in the development, assessment development, and quality assurance of our NQs, HNs, SVQs, and Awards. We are enormously grateful to all our appointees.

## Apprenticeships

In line with [Strategic Goals 1, 2, 5 and 6](#), 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

We continue to provide the qualifications which support apprenticeships, and as an employer we also understand the benefits of investing in young people in our workforce. Our Pathways



programme supports six Modern Apprentices through the Business and Administration Framework at SCQF Level 6 and includes an HNC in Business with work experience in up to four business areas. Supported by in-house assessors and mentors, our Modern Apprentices use the two-year programme to identify their strengths and career ambitions, and develop the skills, knowledge and experience for an administrative role within SQA or elsewhere.

We now also have a Graduate Apprentices programme, centred on the Software Development sector. We 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.

Our second-year Modern Apprentices won the Glasgow MA Challenge and received special recognition at the national finals with a work experience programme for adults with learning disabilities.

## Services

SQA provides a number of services for organisations, businesses and governments, including Customised Awards, consultancy, and contracts. These contribute to SQA's fulfilment of [Strategic Goals 1 and 2](#), but have specific relevance to [Strategic Goals 8 and 9](#).

### Contract services

As an internationally-recognised awarding body, SQA continues to provide a wide range of innovative contract services, within the UK and internationally, that respond to specific regional development, business and training needs.

## International engagement and co-operation

There continues to be demand globally for SQA's qualifications and services. 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 specifically fulfils [Strategic Goals 3 and 8](#). It also supports the Scottish Government's international agenda (as outlined in *A Trading Nation — a plan for growing Scotland's exports*, published in May 2019), 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. This embodies the spirit of [Strategic Goals 5 and 6](#).

One example of this work is our annual SQA Star Awards ceremony. This recognises excellence in education and training, and celebrates the people who take SQA qualifications and the organisations that deliver them.

SQA staff also contribute to our local communities by undertaking a range of volunteering activities, such as delivering employability workshops to senior school pupils in local schools.

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. Details of this year's Star Awards, staff volunteering and our sponsorships can be found in the Performance Analysis section. This activity aligns with [Strategic Goal 7](#),

## **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.

## **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 [Strategic Goal 6](#), SQA now has several staff support networks. Our Rainbow Network promotes a culture that accepts and celebrates LGBTI+ diversity, dignity and inclusion. Our Disability Network is committed to enhancing disability equality in SQA and raising awareness of different disabilities and health conditions. Our Women's Network (launched on International Women's Day in 2019) seeks to enable people across SQA to connect, share experiences, develop new skills and to promote gender equality and inclusion.

## **Planning for the future**

Work has continued over the past year on the SQA Change Programme. This is a rolling programme with a lifecycle of more than five years which aims to improve the way we deliver our services, and the support we provide to those we work with both inside and outside SQA.

During the period of this report we have largely completed the foundation-laying Phase 1, which involves updating our technical infrastructure. This will enable more robust, effective, and reliable operations now and in the future, in line with SQA's aim to be 'digitally ready' for the future, and the Scottish Government's Digital First initiative. More detail on the activities involved is provided in the performance analysis section.

We have now reached the start of Phase 2, the Transformation Phase, which will look to create efficiencies in processes to enhance our customer experience.

## **Accreditation**

As well as providing qualifications itself, 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 other licence-to-practise qualifications, as outlined in [Strategic Goal 9](#). The accreditation function is a separate part of SQA, and is accountable to the Accreditation Committee, established by the Education (Scotland) Act 1996.

# 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.

## Measuring performance

SQA's work is guided by our rolling three-year Corporate Plan. This is developed and updated by the SQA Board of Management and the Executive Management Team, in line with ministerial guidance, and is approved by Scottish Ministers. It has been developed and is regularly updated to align our activities with Scotland's National Performance Framework. Here is a link to the [2019–22 Corporate Plan](#), which includes the nine Strategic Goals we worked towards in the period covered by this report.

The Corporate Plan has been updated for 2020–23, and now includes five new Strategic Outcomes, which we have developed this year through a process of extensive consultation, to replace the nine Strategic Goals.

## Progress towards our Strategic Goals

Progress towards the Strategic Goals set out in the Corporate Plan is carefully monitored. Quarterly performance reviews by SQA's Performance Committee track our business activities to ensure they are on course, and matters of interest or concern are highlighted 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.

SQA uses a range of performance indicators which allow these various groups to monitor performance throughout the year. These are a mix of qualitative and quantitative measures and are derived from our Strategic Goals.

In the next paragraphs we will discuss some of the ways we measure performance in a few of the many areas in which we operate:

- ◆ the diet of national examinations
- ◆ vocational qualifications
- ◆ recognition as an employer

## Delivering the national examinations

Development and delivery of each year's main session (or 'diet') of National Qualifications forms the major part of meeting the first of our Strategic Goals. Given the complexity and volume of activity, 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 examination timetable and annual certification day. The fundamental performance indicator

here is completing all the preparatory work, including any major revisions and innovations (such as the revisions of Advanced Higher required by the removal of assessed units), to an agreed schedule. Progress is closely tracked within the various contributory processes, and also in quarterly reviews and Board of Management meetings.

The 2019 National Qualifications diet was delivered successfully, culminating in Results Day on 6 August. However, during the final part of the period covered by this report, we have had to confront the challenge of the COVID–19 pandemic. In line with UK-wide lockdown measures, and for the first time in SQA’s history, the 2020 national diet of exams was cancelled. With no exams taking place this year and no feasible way for us to mark coursework, preparations were redirected towards an alternative method of certifying attainment for the many thousands of learners registered for our national qualifications.

### **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 issues that emerge. Verification performance of HN and vocational qualifications had remained consistent over the previous four sessions. In session 2019–20, because of disruption due to the COVID–19 outbreak, only 1,896 verification activities could be completed by the end of March 2020 (for comparison: 2018–19: 3,041). Of the 1,896, 1,695 fully met national standards, which at 89.4% is comparable with previous years (2018–19 91.3%).

### **Recognition as an employer**

SQA is committed to being a supportive and inclusive employer, in pursuit of our Strategic Goal 6: ‘Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA’. The public recognition we have received for the effectiveness of our work in this area in 2019–20 includes:

- ◆ Healthy Working Lives Gold Award for the thirteenth consecutive year
- ◆ RoSPA Gold Award for health and safety for the fifth consecutive year
- ◆ Investors in Young People (IYYP) Silver Award
- ◆ Developing the Young Workforce, 2019 Glasgow Apprenticeship challenge winners
- ◆ continuing membership of the Stonewall Scotland Diversity Champion programme
- ◆ continuing accreditation as a Scottish Living Wage Employer
- ◆ re-accreditation under the Disability Confident Employment Scheme, which supports applications from people with disabilities

SQA is committed to the Fair Work Framework. This Scottish Government initiative envisages that, by 2025, ‘people in Scotland will have a world-leading working life, where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations, and society’. SQA has mapped all dimensions of the Framework and is ensuring they are considered in all our people initiatives and policies.

## Stakeholder survey

We monitor stakeholder satisfaction each calendar year using targeted surveys. This helps us to assess the effectiveness of our services, and to review our efficiency in dealing with customers and complaints. SQA surveyed stakeholders from the following key groups:

- ◆ individuals aged between 14 and 18 inclusive
- ◆ individuals aged between 19 and 34 inclusive
- ◆ individuals aged over 34 without secondary school-aged children
- ◆ individuals with secondary school-aged children
- ◆ schools
- ◆ colleges
- ◆ training providers
- ◆ employers

Our surveys are carried out by a third-party research company which is a member of the Market Research Society and conforms to its code of conduct. Although SQA commissions the research, it does not control who participates, apart from specifying the broad characteristics of who should be approached.

### SQA's profile

Across the key groups surveyed in 2019, 86% of respondents were aware of SQA (2018: 92%). This figure is broadly in line with that found between 2011 and 2017. Of this percentage, 83% rated SQA's credibility as 'high', and 74% felt they had sufficient knowledge about SQA as an organisation (2018: 81% and 80% respectively).

Results indicated that respondents were aware of most major SQA qualifications, with the highest recognition for Highers, HNCs/HNDs, SVQs, Advanced Highers, and National 4s and 5s.

### Credibility

In 2019, the qualifications that respondents perceived as having the highest credibility were (in descending order) Highers, HNCs/HNDs, National 5s, HNCs/HNDs, SVQs and Advanced Highers. Only a small number of respondents regarded our qualifications as having low credibility.

The perceived credibility of Highers remains very high at 93% (2018: 91%). The number of respondents who perceived National 5s as being high in credibility is 87% (2018: 85%). The number perceiving National 4s as having high credibility rose from 55% in 2018 to 58% in 2019. Nonetheless, this remains significantly lower than for most other SQA qualifications.

The perceived credibility of HNCs/HNDs has remained broadly similar since the previous survey, but remains very high at 86% (87% in 2018).

### SQA values

Of respondents to the 2019 survey, 87% agreed that they trusted SQA (2018: 86%), with 75% agreeing that SQA is an enabling organisation (2018: 72%), and 72% perceiving SQA as a progressive organisation (2018: 70%). We continue to look at ensuring we embed these values in all our activity.

## **Other approaches to measuring performance**

We use performance indicators to monitor our budget against forecast expenditure, compliance with legal obligations (such as freedom of information (FOI) and data protection legislation), and our progress towards our own environmental and equality targets.

Regularly reviewing each Strategic Goal against appropriate indicators gives us an overall view of our performance and progress, helps us monitor any compliance issues, and provides a detailed account of operational effectiveness across the full extent of our work.

## **Qualifications: overview**

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

## **National Qualifications**

Revision of National Qualifications National 5, Higher and Advanced Higher has now been completed. This ensures that course content is still adequately assessed following the removal of units and their assessments, and that standards are maintained. The final phase of this three-year process began with the publication of the revised Advanced Higher course specifications in April 2019 (33 courses, including Modern Languages as one subject). The following months saw the publication of guidance and support materials to prepare for the school year 2019–20.

Throughout the reporting period, SQA has provided regular updates to schools, colleges and training providers through its weekly *Centre News* e-newsletter, social media, web announcements and subject-specific update documents. These include information on qualification developments, new and updated documents, upcoming events and webinars, and assessment support. In addition, our Liaison Team regularly visits schools and colleges to provide support with development and operational matters.

SQA continues to take its responsibility to uphold the high standards of Scottish qualifications very seriously. We do this by ensuring that we have rigorous quality processes at every stage of the process — from setting question papers and coursework, marking candidate responses to these, and the quality assurance approaches we use to ensure that the standard of marking is consistent across markers.

The grade boundary setting process is the final stage of setting the standard and ensuring consistency of standards at a level, over time. Through this we know the intended level of difficulty of each question/part of an assessment, and the statistical data allows us to see whether questions performed to the standard intended or whether they were more or less difficult than intended. The grade boundaries are then adjusted, if appropriate to ensure consistency of standard over time, and an appropriate level of challenge for candidates.

Our robust post-exam system of checks and balances continued to ensure that candidates were treated fairly — so that a candidate achieving a specific grade was rewarded in the same way as a candidate working at the same ability level in previous years.

SQA issued results certificates to more than 133,000 National Qualifications candidates across Scotland on 6 August 2019 (2018: more than 134,000). There were 585 unique qualifications with entries in this academic session (2018: 524), including Awards, National Certificates, National Progression Awards, Skills for Work and National 2 to Advanced Higher courses. The candidates were rewarded for completing coursework, exams and unit assessments throughout the academic year 2018–19 in a wide range of qualifications and subjects which are designed to suit all learners. These include National 1–National 5, Higher and Advanced Higher. There was also an increase in the overall uptake of our range of Awards.

## **Results Services**

Our Results Services have two components: the exceptional circumstances consideration service and post-results services.

### **Exceptional circumstances consideration service**

The exceptional circumstances consideration service operates before results are published in August. If a centre believes that a candidate has suffered as the result of exceptional circumstances, such as bereavement or illness, it can inform SQA. If the request is accepted, the centre can submit evidence of the candidate's attainment from throughout the year for consideration.

We do not charge schools or colleges for exceptional circumstances consideration applications.

We issued results on the basis of 4,139 exceptional circumstances requests in August 2019 (2018: 3,768).

### **Post-results services**

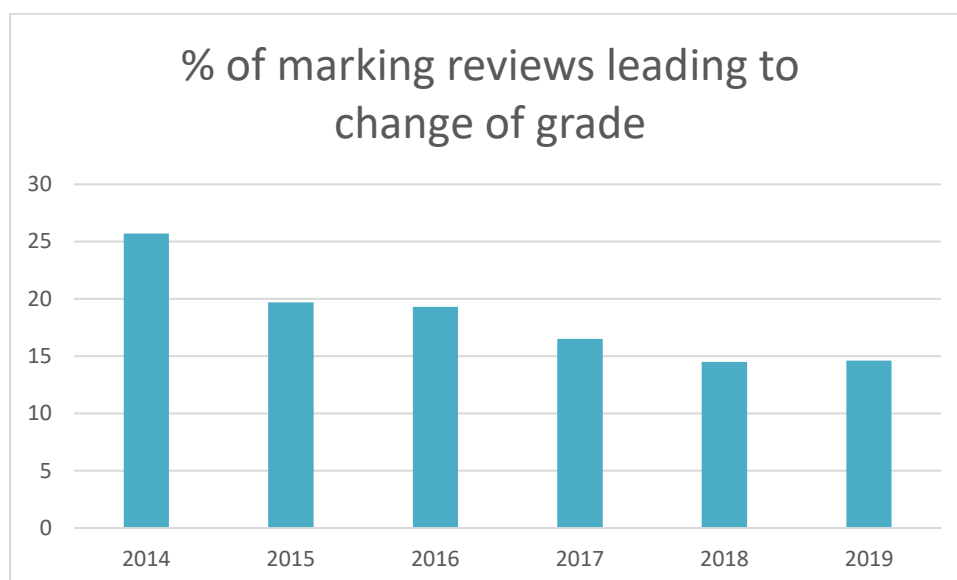
The post-results services include clerical checks, marking reviews, and priority marking reviews following the National Qualifications examinations diet.

Post-results services allow centres the opportunity to query unexpected results on the basis of their professional knowledge of a candidate's performance throughout the year. (Ungraded internally-assessed National Courses at SCQF levels 1–4 are not eligible for post-results services.)

If a candidate's grade increases or decreases through a priority marking review, a marking review and/or a clerical check, there is no charge. A cost is incurred only when there is no change to the candidate's final grade.

There were 11,528 requests for either a clerical check or a marking review of the examination material (2018: 13,543). The majority (96.6%) of the requests were for a marking review. A smaller number of requests went through the priority marking review (3.0%) and/or the clerical check (0.4%).

The percentage of marking review requests that resulted in a change of grade was 14.6% (this includes both upgrades and downgrades). This compares with 14.5% for 2018 (after a steady downward trend, from 25.7% in 2014, 19.7% in 2015, 19.3% in 2016, and 16.5% in 2017).



## Understanding Standards

The Understanding Standards programme supports the teachers and lecturers who deliver SQA qualifications. We publish regularly updated materials to accompany our Understanding Standards events. These examples of candidate evidence and commentaries explain why the evidence has, or has not, met the required standards. The programme is designed to help teachers and lecturers develop their understanding of the standards required for assessment, which aligns with [Strategic Goal 2](#).

In 2019–20 we published candidate evidence and commentaries explaining why specific evidence had achieved certain marks for 55 National Courses — mainly at Higher and Advanced Higher, but also for some qualifications at other levels. We also produced audio presentations for 17 Advanced Higher courses. These provide an overview of revised course assessment and complement the information in the revised course specification. We also ran 18 webinars for qualifications at a variety of levels and published the recordings after these took place.

The period 2018–19 was the first year of the new Higher courses, and brought a lot of fresh candidate evidence. As a result, the Understanding Standards and the Events team jointly ran 101 events for 4,647 delegates to support teachers and lecturers with these new courses, and with revised requirements for Advanced Highers.

Post-event evaluations continue to indicate that delegates value these events. As in the previous year, they reported that the benefits included increased confidence, clarity and new information, and networking and idea-sharing opportunities.



## 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	NPAs and NCs	Total
New course/group award	52	10	19	81
Revalidation/re-accreditation	35	62	11	108
Withdrawal	16	96	2	114

New or revised qualifications include HNDs in Cyber Security and Fashion Technology, NPAs in Built Environment and Data Science, PDAs in areas including Food Science and Hospitality, and SVQs in Laboratory Skills for Life Sciences and Museums and Galleries Practice.

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 offered in England, where the regulator Ofqual 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.

Between April 2019 and March 2020 we issued 157,696 certificates for group awards including Higher National Certificates, Higher National Diplomas, and Scottish Vocational Qualifications (2018–19:157,292). Of these, 8,399 were for Regulated Qualifications in England and Wales (2018–19: 14,796).

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

Qualification	2018–19	2019–20	Year on Year Change
SVQs	28,014	29,474	5.2%
Higher National Certificates	15,474	14,904	-3.7%
Higher National Diplomas	12,642	11,968	-5.3%
NPAs	15,614	16,956	8.6%

PDA's	6,145	7,414	20.7%
Skills for Work	9,022	10,382	15%
Awards	27,012	30,849	14.2%
National Certificates	11,314	9,618	-15%
National Workplace	38,617	40,275	4.3%
Customised Awards	6,210	5,355	-14%
Advanced Certificates/Diplomas	-	39	n/a

## Customised Awards

We currently have 417 active Customised Awards (2018–19: 405). We offer Customised Awards as a service. Employers and organisations who contract us to provide the service engage us to develop qualifications that meet their particular requirements.

## HN Next Generation

Over the period covered by this report we have been considering the feedback provided to date by key stakeholders and its implications for the design, development and delivery of our Next Generation qualifications. Key themes to emerge from this feedback have included the importance of considering the learner experience, clarity over the purpose of each qualification, and ensuring a manageable assessment load. We have been focusing particularly on how we implement meta-skills within new qualifications in a way that ensures they are recognised, valued and effective for learners, centres and wider stakeholders.

## Digital assessment

We remain committed to expanding our use of technology in developing qualifications and assessment. This can deliver substantive efficiency and quality impacts, and we continue to investigate new technology-enabled assessment approaches and models. We will thus ensure that high-quality sustainable digital assessment services are available now and into the future. There has been a significant increase in the use of remote proctoring approaches by centres, which challenges our current advice and guidance.

This year has seen further evidence of how effective collaborative working between our digital development services and qualifications teams can deliver positive results. For example, we have released NPAs in Data Science at levels 4, 5 and 6, and an HND in Cyber Security with digital-only assessment.

## Communication and engagement

SQA is committed to improving communication. We have demonstrated our commitment this year by actively seeking feedback, and using it to inform a series of considered improvements across SQA platforms, including the implementation of a new customer communication platform to help share best practice, and audience-specific newsletters, emails and marketing material. We have also improved our tailored alerts service, subject-specific blogs, and regular development updates through Facebook and Twitter. We have enhanced our Alexa virtual assistant and mobile apps to increase the support we provide to exam candidates. We have also used customer insight to develop tailored content for sector and market reports. These measures help to ensure that our communications are clear, concise, and confident.

## **Encouraging feedback**

Across all our qualifications and services, we welcome feedback from our customers, and use it to improve the way we do things. We collect and consider views from a wide range of sources, including:

- ◆ direct contact with centres through our dedicated teams of liaison and regional managers
- ◆ events we run, such as our SQA co-ordinator conferences, local authority events, subject-specific Understanding Standards events and webinars, and appointee meetings
- ◆ events we attend, nationally and internationally, to engage with current and potential customers, and invite feedback
- ◆ face-to-face meetings with stakeholders and partners, such as teaching unions, directors of education, and college principals
- ◆ individual high-level meetings with government, and bodies such as Education Scotland, Skills Development Scotland, National Parent Forum Scotland, and the Scottish Council for Independent Schools — these take place two to three times per year and are attended by members of the Executive Management Team and colleagues representing teacher engagement, communications, operations and qualifications development, as appropriate
- ◆ 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**

At the 2019 Schools Co-ordinator Conferences, we invited delegates to comment on their experience of the 2018 examinations diet. Working on the basis of their feedback, we have enhanced a number of systems and processes, including: improving the capability of our Connect data management and exchange system as a single point for data reports; creating and further refining resources such as a ready-reckoner for extra time in exams; and improving our processes for the supply of stationery. We have publicised these changes on our website and invite further feedback on a regular basis.

Internally, we have implemented a new platform to help us better tailor communications to our different customer types.

## **Streamlining our documentation**

The communication we distribute to centres and teachers for National Qualifications (NQ) are now more succinct. For example, as part of our ongoing improvement programme, the content of our weekly SQA News bulletin is now more targeted and timely for our customers. We listened to feedback from SQA Co-ordinators and now produce a monthly update with content that is specific to their role. We engaged with young people to improve our learner support materials and content, ensuring they are understandable, clear and accessible. We have also streamlined course specifications for all Advanced Higher subjects, removing duplication and improving clarity.

## **User testing and feedback analysis**

### **SQA website**

In our most recent website survey undertaken in November and December 2019, of 776 participants, 72% rated the service as 4/5 or better, and 89% of all participants said the website was useful.

We have made several changes to the SQA website in response to user feedback. A new homepage and improved site navigation have been introduced.

Our user experience programme continues and offers us real insight to customer challenges and ensures our solutions are effective.

We have improved the performance of the website to help visitors reach content as quickly as possible. To improve the overall search experience for users, we have refined our content and adjusted the search algorithm based on best practice. We have also introduced chatbot technology and are trialling this to support customer enquiries.

Further to our work last year on streamlining the layout of the National Qualifications homepage, additional enhancements have been made to NQ page layouts to clarify what content is available.

We are also working to ensure that our websites and apps are accessible to all customers regardless of the technology they use to access our resources.

### **MyAlerts**

MyAlerts offers subscribers (of whom there are over 15,567) relevant information at a frequency of their choosing.

### **SQA News (formerly Centre News)**

Our weekly *SQA News* (known as *Centre News* until December 2019) has a total audience of 2,263, of whom 1,376 are SQA co-ordinators in centres. *SQA News* gives updates on operational and development news from SQA, and is complemented by subject-specific blogs written by our qualifications managers.

Since January 2020 co-ordinators also receive our monthly newsletter *Co-ordinator Update*.

### **Intranet**

SQA's main channel of internal communication in SQA is our staff intranet. This provides access to all systems, information and updates across the business.

In 2019, on average we had 718 daily users accessing the intranet, which is 75.6% of SQA employees. We have a total of 23 mini-sites on the intranet, which features business areas, directorates and employee groups.

The most popular pages on the intranet include the regular Chief Executive blog, our staff newsletter, and the public holiday dates.

## Clear and Confident Writing workshops

More than 250 colleagues have attended a Clear and Confident Writing workshop since they started in 2017. On request, tailored sessions can now be provided using actual samples of a participant group's work, which makes the event more targeted and effective.

Responses remain very positive, especially from tailored sessions, and almost all participants say on feedback forms that they would recommend the workshops to others.

Between April 2019 and March 2020, 182 colleagues have also completed one or more of the four modules available on SQA Academy.

The workshop was one of the most popular courses requested for CPD through MyReview in 2019–20, with 90 requests across all directorates.

## Social media

SQA's social media channels are an integral part of our communications activity, and our Facebook page (10.6k followers in Feb 2020, up from 9.7k last year) and Twitter accounts (28.5k followers Feb 2020, up from 25.3k last year) provide regular updates on developments. The number of followers of both channels rose significantly in the final weeks of the reporting period, as people kept up to date with our response to the COVID–19 crisis.

In the week leading up to Results Day 2019, we posted infographics telling learners what to expect on Results Day — [the tweet](#) generated over 150,000 impressions, and over 15,000 engagements. During the week of Star Awards 2019 (Monday 11 November–Sunday 17 November), our Twitter activity reached almost 500,000 individuals.

## Customer contacts

Our Customer Service Team received 129,300 queries from centres and candidates over the year from April 2019 to March 2020 (2018–19: 153,800):

- ◆ 60,000 telephone calls (72% from candidates, 28% from centres)
- ◆ 56,300 emails (47% from candidates, 53% from centres)
- ◆ 13,000 social media contacts (predominately from candidates)

## Complaints handling

As a leading public body, SQA works hard to provide qualifications and services at a standard that satisfies customers on every occasion, as outlined in [Strategic Goal 5](#). It is important that, if there are complaints, SQA manages them in a fair and efficient way that complies with the Scottish Public Service Ombudsman's (SPSO) complaints handling procedure.

In 2019–20, we received 67 complaints (2018–19: 65): 66 were resolved; 20 were upheld or partially upheld, and 46 were not upheld and one complaint was duly withdrawn (2018–19: 65 resolved; 23 upheld; 39 not upheld). The complaints covered various mainly administrative issues, such as communication, return of paperwork, or timetabling and invigilation of exams.

If complainants are not satisfied with SQA's handling of their complaint, they may be able to refer the matter to the SPSO. In 2019–20, the SPSO initially screened 1 complaint referred to them following SQA's final response, but did not take the complaint forward.

## **SQA's partnerships in training and education**

SQA has a crucial role to play in ensuring that the skills, training, and education systems in Scotland are effective. This is one of our main priorities as it underpins significant public policy areas such as widening participation, narrowing the attainment gap, and providing the people and businesses of Scotland with the skills that they need for the future. To achieve this goal, and to build confidence and trust in the new National Qualifications, we continue to work in close partnership with other organisations and stakeholders in Scotland, including:

- ◆ Association of Directors of Education in Scotland (ADES)
- ◆ Convention of Scottish Local Authorities (COSLA)
- ◆ Education Scotland
- ◆ Parent Associations (NPFS and Connect)
- ◆ School Leaders Scotland (SLS)
- ◆ Scottish Council of Independent Schools (SCIS)
- ◆ Scottish Funding Council
- ◆ Scottish Government
- ◆ Skills Development Scotland (SDS)
- ◆ colleges (Colleges Scotland and College Development Network)
- ◆ professional associations

SQA qualifications form an integral part of the majority of Scotland's Modern Apprenticeships, so we play an important part in supporting Foundation Apprenticeships and the wider Developing the Young Workforce policy. In this we work closely with Skills Development Scotland (SDS), and the Scottish Funding Council (SFC), and we are members of their joint Skills Committee.

We work with Colleges Scotland to develop college-level qualifications. This ensures that our skills- and knowledge-based qualifications remain world-class. We also support the College Development Network (CDN) in the area of professional development work.

We engage with training providers across Scotland, both directly and through the Scottish Training Federation (STF). We also work with businesses and business organisations so that our qualifications and awards are appropriate for meeting their needs. This work maintains us as the provider of the majority of Scotland's vocational and technical qualifications.

## **Apprenticeships**

The Foundation Apprenticeship programme continued to grow during 2019. SQA provides support to SDS and centres, and issues Foundation Apprenticeship certificates, which are jointly certificated with SDS. As part of a wider programme of work with SDS, we have jointly implemented a one-year pilot project (2019–20) at SCQF Levels 4 and 5 that explores approaches to work-based learning and the development and assessment of skills required for the 21st century workplace.

## **The future of Apprenticeship and work-based learning**

The wider programme of collaborative work with SDS continues to explore the balance between the generic skills that are required in the 21st century workplace, sector-specific skills, and job-specific skills that would best support learners and businesses to thrive in a rapidly-changing and unpredictable future. We are involved in SDS development activity and this provides opportunities to share learning between our organisations to the benefit of the joint programme and our own development projects.

This work includes exploring with regulators in Wales and Northern Ireland how National Occupational Standards (NOS), which apprenticeships (and SVQs) are based on, and which inform work-based learning, could be developed and structured in a sustainable, cost-effective way that responds to future needs for skills.

We are also developing approaches to work-based learning and assessment that support development of skills across the apprenticeship family, and are piloting these approaches with work-based learning at SCQF levels 4 and 5 in senior phase at school during 2019–20.

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

There continues to be a demand for SQA qualifications and services globally. As well as offering our qualifications throughout 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.

### **Range of work**

The specific areas in which we work include, but are not limited to: 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 cultivating and promoting a culture which supports internationally recognised human rights. In all its operations, SQA prioritises engagements which promote human rights and access to education for all. During the period of this report SQA worked on the development of a new Human Rights Policy which will explicitly set out the part human rights issues play in our international engagement.

### **Making connections**

SQA hosted study visits in 2019–20 from educational delegations from a number of countries to learn about the Scottish Education system and SQA's systems and operations. We also attended a number of events to showcase our qualifications and Diploma to Degree opportunities.

### **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: 'A Trading Nation', 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. SQA is highly regarded internationally, and this was confirmed by the many positive interactions that our ambassadors had throughout the various conferences of 2019–20.

SQA's arrangements with international partners, organisations and agencies also ensure that we continue to enhance our expertise and skills, contributing to our attainment of Strategic Objective number 3: 'Support the Scottish Government's internationalisation agenda to maximise the benefits of international engagement and co-operation'.

## **Services**

SQA has been awarded a new concession contract in partnership with PSI to deliver a Secure English Language Test (SELT) in the Rest of the World (RoW) market on behalf of the UK Home Office for the purposes of UK Visas and Immigration.

## **Appointees**

SQA's work necessarily involves the harnessing of skills, expertise, and time of many education professionals and specialists outside of the organisation. We are enormously grateful to these external appointees, who play many vital roles in the delivery and quality assurance of all SQA qualifications. The fact that we appoint external markers and invigilators for National Qualifications is well known, but we also have appointees doing a range of other tasks, including recording scripts, developing assessments, reviewing and modifying question papers to ensure accessibility for visually-impaired candidates, and creating and drawing maps for use in assessments.

In academic session 2018–19 we appointed or re-appointed approximately 7,500 professionals for the writing, production, quality assurance, and marking of NQ assessments and question papers. In addition, we appointed 7,000 invigilators. In the same period, we received 1,195 applications for non-marker appointee roles, 516 of whom were successful in receiving a contract.

For our HN qualifications and SVQs, there are roles for course assessors and verifiers, who ensure centres are delivering and assessing qualifications to the desired standard. For these qualifications we appointed or re-appointed 614 professionals for session 2018–19 (contract end date 31/07/19), and for session 2019–20 (contract end date 31/07/20) we appointed or re-appointed 649 professionals.

The vocational nature of many HNs, and particularly of SVQs, demands that these qualifications maintain a rigorous compliance with industry standards. We therefore appoint experienced practitioners as verifiers to ensure that centres are delivering and assessing qualifications to the required standard.

## **Quality assurance**

SQA's approach to quality assurance is based on partnership, fairness, and transparency, and is designed to support centres at all stages in their delivery of SQA qualifications. It starts with their approval as an SQA centre, which ensures they have all the required systems and processes in place. It then progresses to approval to offer a particular



qualification. After this, it continues through to delivering the qualification to candidates, and certification. SQA and centres running SQA qualifications have a shared responsibility for quality assuring the internally-assessed elements of the qualifications.

Qualification verification is the process by which SQA ensures that centres are assessing their candidates in line with national standards, and that assessment decisions comply with SQA's quality assurance criteria. Qualification verifiers are experienced subject experts who are appointed by SQA to undertake qualification verification on SQA's behalf.

The figures in the following paragraphs refer to qualifications which were delivered and quality assured in the academic session ending in August 2019.

## **Malpractice**

Maintaining the integrity of the Scottish qualifications system is imperative, but any concerns that there has been possible assessment malpractice should be handled fairly, consistently, and sensitively. Our reference document, [Malpractice: information for centres](#) explains our approach, and details our expectations of centres when there are concerns of possible assessment malpractice. Malpractice is, of course, a serious issue, and SQA's commitment to working with centres to minimise the risk of malpractice — and to deal with it fairly and effectively when it is identified — is a key aspect of ensuring the integrity of certification for all SQA's learners in Scotland and elsewhere.

Each year, under its statutory duty as the regulator for National Qualifications in Scotland, SQA publishes information on candidate malpractice in the previous academic session. The number of reported incidents of candidate malpractice investigated in the 2019 examinations diet for National Courses at National 5, Higher and Advanced Higher remains extremely low.

## **National Qualifications**

SQA works in partnership with local authorities, and schools and colleges, to support teachers and lecturers throughout the assessment cycle to ensure assessment standards for National Qualifications are met.

Scottish Government guidance to local authorities advises that candidates should only be presented for both National 5 courses and freestanding units at SCQF level 5 in exceptional circumstances. In the 2017–18 session, however, we observed a significant number of entries for SCQF level 5 freestanding units being made late in the session, which affected our ability to quality assure them.

Following a post-certification review of a selection of these late entry units, we made several enhancements to how we quality assured National Qualifications in 2018–19. We introduced a deadline of 28 February 2019 for final changes to freestanding unit entries at SCQF levels 5 and 6, and as a result the number of late entries was greatly reduced. These changes allowed us to carry out adequate quality assurance of these units, before August certification.

## **Higher National Qualifications**

Higher National Qualifications were verified throughout the academic session that ended in August 2019. We completed a total of 860 verification events for Higher National

qualifications (2017–18: 534). For the 860 HN verification activities we completed, 133 outcomes did not initially meet national standards, and we provided follow-up activity and support to centres to help them reach compliance and resulting certification (2017-18: 975 verification reports; 124 did not initially meet standards).

## Vocational qualifications

The activity for vocational qualification verification in 2018–19 amounted to 1,203 events (2017–18: 2,066). National standards were fully met at 1,138 of these events (2017–18: 1,924), but 65 events (2017–18: 142) had outcomes that did not meet national standards.

To promote and maintain understanding of standards, SQA provides materials and supports professional development events for lecturers, trainers and instructors both within Scotland and internationally, for all qualifications. Support is distributed more widely through newsletters, materials and online courses, which are made available via its websites.

## 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 [Strategic Goals 1, 2, 5 and 7](#).

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.

The programme has a lifecycle of more than five years, and in the period of this report is coming towards the end of the foundation-laying Phase 1, and beginning to plan the Transformation Phase 2 to create efficiencies in processes to enhance our customer experience.

Our project teams have implemented several key projects in 2019–20 including:

### Systems platform

The Systems Platform sub-programme has focused on providing more resilient support for the core systems that underpin SQA's main business activities, including the main diet. To date the sub-programme has completed the following projects:

- ◆ Replaced and upgraded the entire SQA network (physical and wifi) in both Lowden and Optima.
- ◆ Implemented an infrastructure automation platform.
- ◆ Consolidated all IT applications onto a single, modern and supported virtualisation platform. (This reduces the number of physical servers required — and thus our carbon footprint — and improves resilience and performance.)
- ◆ Upgraded all laptop and desktop machines from Windows 7 to Windows 10.

## **Data platform**

The Data Value and Integration project implements a data virtualisation product allowing faster access to data across our different systems. The Power BI enterprise service is soon to be made available, which will allow data analytics, dashboards and reports to be shared across the organisation.

## **Business World**

Our HR and payroll services moved to our new enterprise resource planning system Business World at the end of March 2019. Appointee management payroll services are due to follow later in 2020. This will complete the third phase of the corporate business systems (CBS) project (a component of the wider Change Programme), which covers the implementation of Business World across SQA.

We now have a fully integrated system, so we will be better able to understand the cost of our activities and thus to make more informed business decisions. Staff members also have a more reliable and integrated digital experience.

All staff members are now responsible and accountable for time recording and their personal information held in Business World. We have completed a programme of training for all staff to ensure everyone is familiar with the new system and processes. The system has bedded in well and is running smoothly.

## **IT security**

We continue to align to the Scottish Government's Cyber Resilience Strategy for Scotland: Public Sector Action Plan and we renewed our Cyber Essentials accreditation for another year in December 2019. Over the last year we have seen the team grow in number and, through the use of strategic partner services, we have enhanced our range of security protections.

# **Organisational development and change tools**

SQA's Organisational Development (OD) and Change Management team have introduced several development programmes within the SQA transformational change programme portfolio of projects.

Our Values-Led Leadership programme was launched in May 2019. This programme aims to raise leaders' awareness of their leadership style and how it informs the way they lead others in SQA, the impacts they make and their strengths and growth opportunities. It is grounded in the principles of collective leadership and the SQA values of Trusted, Enabling and Progressive. The programme is intended to help leaders deliver on our Leadership Statement:

'As leaders of SQA we are responsible for setting the vision and creating the environment where our people can perform to their potential and deliver for learners, communities, our economy and society'

Our line manager programme aims to equip line managers with the knowledge, skills and behaviours to help them manage the performance of their teams effectively and consistently.

Team training and change management for the SQA-wide roll-out of Windows 10 and Business World time recording were successfully delivered by the Change Practitioner team, allowing SQA to benefit from these new technologies.

OD business partners have established regular consultation with their respective directors and heads of service about workforce planning, and succession planning and development.

## Accreditation

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.

Throughout April 2019 to March 2020, SQA Accreditation continued to ensure that qualifications were available from a variety of awarding bodies that fully support the needs of Scotland’s learners — particularly those undertaking Modern Apprenticeships.

These efforts directly address Strategic Goal 9: ‘Independently accredit, quality assure and regulate approved awarding bodies and qualifications thereby safeguarding the interests of learners, employers, parents, funding bodies, providers and the Scottish Government’.

	2018–19	2019–20
<b>Approved Awarding Bodies</b>	37	37

## 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 2019–20:

	2018–19	2019–20
<b>Audits</b>	15	12 audits and 2 post-approval visits
<b>Provider Monitoring Reports</b>	23	18
<b>Provider Monitoring Visits</b>	54	39

One new organisation, SFJ Awards, was approved as an awarding body in 2019–20, and there were enquiries from 13 organisations seeking information on how to become an approved awarding body.

During 2019–20, one sanction was raised against an awarding body.

## Accreditation of qualifications

At the end of 2019–20, SQA Accreditation had a total of 790 accredited qualifications (2018–19: 854). The breakdown of accredited qualifications is as follows:

	2018–19	2019–20
Scottish Vocational Qualifications (SVQs)	543	517
Regulatory and Licensing qualifications (R&L):	31	14
Other qualifications (such as competence-based qualifications)	280	259

### **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. In 2019–20, SQA Accreditation quality assured 65 suites of NOS, with 41 suites of NOS gaining approval as at 6 April 2020 (2018–19: 84 sets of NOS, with 74 gaining approval).

### **Scottish Apprenticeships**

The Head of Accreditation is a member of the Modern Apprenticeship Group (MAG), and the Senior Accreditation Manager is a member of the MAG sub-group. As of 1 April, the Apprenticeship Approval Group (AAG) replaces MAG. 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 is working 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.

## **Equalities**

SQA demonstrates its commitment to equality of opportunity in many ways. It is built into our processes of policy development, our development of qualifications, and our accreditation work. We support our staff members in their initiatives for self-help through several staff networks, and we have a varied calendar of awareness-raising events for our staff. Details of all these aspects of our work for equality are given below.

### **Public body responsibilities**

We integrate equality in the development of our policies and activities, in line with our [Equality Outcomes 2017–21](#). During 2019–20 our Equality Steering Group and Equality sub-group met three times to discuss and review progress against SQA's Equality Outcomes. We established a short-life working group to continue to make improvements to our equality impact assessment process to support ongoing completion of assessments.

Our HR team carried out work to ensure that the categories and definitions used for employment monitoring in our new HR system are in line with good practice. We also assessed the way we analyse and report employment monitoring information in preparation for publication of our latest Equality Mainstreaming Report in April 2020.

According to our equal pay audit of February 2020, SQA's gender pay gap is 7%, below Scotland's overall level (February 2020: 14.3%).

Information on how we fulfil our corporate parenting responsibilities can be found in the section below: [SQA as a corporate parent](#).

## **Raising awareness**

As part of SQA's ongoing programme of supporting professional development and practice, all SQA staff and appointees (principal assessors/verifiers, item writers and item checkers) are given equality and inclusion training, and directed to our online guidance.

SQA's [Responsible Business Annual Review 2019–20](#) explains in detail how SQA looks after its employees, how it supports its employee network groups, and what SQA staff do to help each other. If they need support, members of staff can seek help from one of 26 trained, in-house mental health first aiders.

SQA is a Disability Confident Employer, and during 2019–20 our Disability Network supported Disability History Month, National Carers Week, and World Autism Awareness Week. In collaboration with Remploy, we held Disability and Health awareness training for colleagues in our Glasgow and Lowden offices. Following feedback from the Disability Network survey in 2018, members, in collaboration with HR, created a compendium of information and support for disabled employees in SQA.

In August 2019 our new Women's Network held their first Menopause Café. The Café, which was open to male and female colleagues, aimed to raise awareness of the impact of menopause in the workplace. The Network also arranged a staff information session focussing on financial independence for women.

Our Rainbow Network supported Ally Week in September, which encouraged colleagues across SQA to join the Network, and Network members delivered a staff information session on 'How to be an LGBTI Ally'.

## **Equalities in qualifications**

During the reporting period, we continued to implement SQA's Equality Review of Qualifications process. This is a robust and transparent way of ensuring that:

- ◆ SQA qualifications are reviewed to ensure that they are not discriminatory for any learner on the grounds of any of the protected characteristics
- ◆ due consideration is given to the reasonable adjustments that SQA can make to provide access to the qualifications for disabled learners

The organisation's Annual Equality Monitoring Report, which outlines SQA's progress towards integrating equality in qualification development policies and activities, was presented to our Qualifications Committee in November 2019.

To meet the recommendations of the report to the Scottish Ministers of the LGBTI Inclusive Education Working Group, SQA has been working to ensure LGBTI issues are appropriately included within the curriculum. We have worked with internal colleagues to identify which subjects could have relevant content included. This content has been further categorised into three levels of coverage depending on the subject and assessment. Work is continuing in this area to provide graded National Qualifications and supporting documentation with LGBTI matters embedded.

We received excellent feedback on our quality assurance events and webinars and in order to open the content to a much wider audience, we have begun the development of an SQA Academy Course for learning support staff and other staff involved in assessment arrangements (AA). It will cover the policy and procedures of SQA's AA process and will allow staff to develop confidence and competence in the application of our policy and procedures in requesting AA.

Our guidance in SQA Academy on Designing Inclusive Assessment, which is aimed at item writers and others involved in the development of our assessments, is now mainstream and has been included into our Assessment Literacy course. This means that participants will understand the principles behind writing a valid, reliable and practicable assessment which is also fair and accessible.

## **Equalities in accreditation**

SQA Accreditation continues to mainstream equality into its existing practices. This includes the work it does with approved awarding bodies to review their policies and practices and ensure that these give due regard to equality of opportunity.

## **SQA as a corporate parent**

SQA continues to take its corporate parenting duties very seriously. We listen to care experienced young people and those people and organisations who represent their views, including Who Cares? Scotland and MCR Pathways. We have developed links with other third sector organisations who support vulnerable young people and we participate in a number of external corporate parenting collaboration forums. We share good practice from these forums with our internal Corporate Parenting Steering Group, and with SQA employees through our staff newsletter.

In August 2019, we hosted our fifth [Results Day celebration](#), which saw 20 care-experienced young people from across the country receive the results for their SQA examinations, courses, and awards. First Minister Nicola Sturgeon MSP attended the event.

We support and encourage SQA colleagues to take up mentoring opportunities with MCR Pathways — we currently have 12 active mentors across SQA supporting care experienced young people.

SQA volunteers continue to support Who Cares? Scotland each quarter to pack and send around 1800 copies of their *Speak Out* magazine to members of the charity.

## **Customer and community engagement**

### **Star Awards**

The SQA Star Awards ceremony is a unique annual event that recognises and celebrates excellence in education and training on the part of the individuals who take SQA qualifications and the organisations that deliver them. The most prestigious award is named 'Pride o' Worth', and is given to one individual and one centre to acknowledge their dedication and the value of their contribution.

In 2019, the individual Pride o' Worth award went to Dean Clark for setting up Edinburgh College's first student-led shop, which gave his fellow students experience of running a business, and provided local people with employability skills. The centre award went to a partnership between Dumfries and Galloway College, and The Usual Place — a social enterprise café helping young people with additional support needs to secure work-based qualifications.

## Sponsorship

In line with [Strategic Goal 7](#), SQA regularly sponsors external events and projects, to build partnerships and promote relationships that improve education across Scotland, and to support learners and learning in all sectors.

In the past year:

- ◆ We attended the College Development Network Annual Awards as sponsor of the Essential Skills Award, which recognises colleges that have made great strides or used innovative practice in the delivery of the soft, transferrable skills that will help students to reach their full potential.
- ◆ We were a Gold Sponsor of the 2019 Dundee Pride Parade, and at the Herald Diversity Awards 2019 in October we sponsored the Diversity through Education Award, which recognises those who champion greater diversity and inclusion for students, staff or local communities.
- ◆ Lantra Scotland's Land-based and Aquaculture Learner of the Year Awards 2020 celebrated learning opportunities in rural Scotland. SQA again sponsored the Modern Apprentice of the Year Award, which shows how SQA Modern Apprentices are embracing the chance to gain qualifications, use their skills to develop rural industries, and ensure the future of the sector.
- ◆ In March 2020, SQA attended the YouthLink Scotland Awards, as sponsor of the Youth Worker of the Year category, which celebrates those whose dedication and creativity has delivered life changing outcomes for the people they support.
- ◆ As part of our engagement with apprenticeship schemes, we sponsored the Large Employer of the Year award at the 18th Scottish Apprenticeship Awards, presented to J.P. Morgan in November 2019. This award recognises the apprenticeship schemes of businesses with 250 or more employees.
- ◆ At the 2019 Volunteer Midlothian annual awards ceremony, SQA sponsored and presented the Volunteer Manager of the Year Award to Mark Wells, a volunteer for Food Facts Friends Foodbank in Penicuik.
- ◆ In April 2019 we sponsored the Best Use of Summative Assessment award at the eAssessment Awards in London.
- ◆ At the Scottish Education Awards in June 2019 we sponsored the Employability and Creativity across Learning category, which went to Castlebrae Community High School. The award celebrates schools which use innovative practice to promote the world of work.
- ◆ June also saw the Herald Higher Education Awards, where we sponsored the awards for Outstanding Business Engagement in Universities and Colleges, which recognise partnerships with employers to develop work experience opportunities for students.



- ◆ At the Herald Digital Business Awards in October 2019 we sponsored and presented the Education and Training Award category, which celebrates the use of technology to provide new learning opportunities.
- ◆ We sponsored and presented the award for Cyber Security Teacher of the Year at the Scottish Cyber Awards in November 2019.
- ◆ March 2020 should have seen our sponsorship of the One to Watch category at the Scottish Youth Parliament Awards. The event was postponed because of the COVID–19 lockdown, but it ran as a virtual event in April which we supported through our social media channels. The award went to Jamie Byers MSYP, Uddingston and Bellshill.
- ◆ In partnership with Who Cares? Scotland and local authorities, SQA supported two care experienced young people to attend a seven-week residential programme at Harvard University’s Summer School in 2019.

## **Volunteering**

In 2019–20 137 staff volunteered for a wide range of activities. The 279 volunteer opportunities totalled 1,034 hours of volunteering (2018–19: 329 staff and 1,493 hours).

## **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 Goals and how our individual efforts contribute to achieving these goals.

## **Communication and feedback**

The most recent staff survey (now called our People Survey) was conducted in October 2019. This had an 84% response rate, and found that 89% of respondents were committed to helping SQA achieve its corporate goals. The same percentage felt they could rely on their fellow team members when things were difficult.

Our Chief Executive presents progress updates and key strategic messages in informal bi-monthly ‘Huddles’ on all office floors of our buildings (900 colleagues), and through a video conference with remote working colleagues (80 colleagues). Executive Management Team also run monthly ‘Ask EMT’ sessions, where colleagues can put questions to EMT and discuss SQA activities and goals attended on average by 300 colleagues each session. During the coronavirus outbreak of 2020, daily email communications were also sent, with each director taking a weekly turn to send a ‘Daily Chat’.

We also run Staff Information Programmes, which consist of regular presentations and workshops held by colleagues from across SQA to inform and engage others with their work. On average, there are four topics per month, and each workshop is attended by 20–30 members of staff.

SQA encourages line managers to facilitate and empower staff members, and we offer a line management programme, with particular attention paid to new managers. Twice each year, managers carry out Performance Management Reviews (PMRs) to ensure staff members have clear objectives, receive regular performance feedback, and have their development needs addressed. In the 2019 People Survey, 74% of staff members believed that their line

manager supported them in achieving their objectives, and 87% agreed that their line manager makes themselves available when needed.

## Employee voice

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

The internal communications strategy has been designed to improve communications and engagement, with the intention of both informing staff and acting as a feedback mechanism, encouraging promotion of work activities and achievements. Two monthly in-house newsletters, *Business Inform* and *Social Inform*, provide staff with a platform to share and contribute to corporate, business area and individual news. On average, *Business Inform* is viewed by 750 unique individuals (2018–19: 720), while *Social Inform* is viewed by 660 (2018–19: 600).

On a collective level, HR seeks to work effectively with SQA's two recognised trade unions on policy, to hear staff members' concerns, and to formulate appropriate solutions. In the context of our current process of institutional change, discussions are proceeding between SQA and our unions to produce an updated agreement setting out the principles of joint negotiation and consultation. Our shared aim is to answer both corporate needs and the concerns of those likely to be affected by often significant changes in organisational structure and working practices.

A 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.

## 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.

**respect** — SQA actively promotes equality, and supports workplace support networks.

## **SQA's statutory responsibilities**

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

### **Data requests**

The number of freedom of information (FOI) requests increased to 359 in 2019–20 (from 251 in 2018–19). This 43% rise is due mainly to an increase in press and parliamentary questions. Additionally, the complexity of some responses led to a 71% increase in requests for reviews of the original response (from seven received in 2018–19 to 12 in 2019–20).

Subject access requests to SQA more than doubled from 327 the previous year to 758. This 242% increase reflects the removal of the £10 fee when GDPR was implemented, and a wider public awareness of the right to request personal data from organisations.

All requests for personal information, and 98% of FOI requests, were dealt with within the required timescales.

### **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). The RMP has to be agreed with the Keeper of the Records of Scotland, and reviewed regularly. As part of this regular review, SQA undertook a self-assessment for submission to and evaluation by the Keeper's Assessment Team. In this, we detailed the progress made against improvements and the continued development and implementation of SQA's RMP. The feedback received from the Assessment Team acknowledged the seriousness with which SQA takes its records management obligations, as well as the continuing work undertaken to strengthen our records management practices and maintain the RMP.

### **Procurement**

SQA's Procurement Department ensures that the organisation engages suitably qualified and approved suppliers to meet and exceed its corporate objectives. In this way, SQA can provide a quality service, deliver best value for money and foster innovation, while complying with all legislative and policy requirements. Following the Scottish government's most recent Procurement and Commercial Improvement Programme (PCIP) assessment in May 2019, SQA received an 'M1' banding, the highest rating available, with a 5% improvement from the assessment in May 2016.

In 2019–20, the Procurement Department made net savings of £1.4m (including the savings achieved by using Scottish Government frameworks), as a result of competitive bidding activities, cost avoidance and efficiencies.

Some 92% of SQA's expenditure is with small and medium-size suppliers, and we actively promote sustainable procurement within these contracts. We have two contracts with supported businesses (where the majority of workers are people with a disability) — which exceeds the Scottish Government expectation of one contract per annum to this sector.

SQA promotes fair work practices, and all service contracts that directly rely on staffing pay the living wage — this includes all temporary members of staff who provide support during the examination period.

## **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. During 2019–20, two instances of suspected financial irregularity were identified and investigated in line with SQA’s anti-fraud policy and fraud response plan. A further instance, carried forward into 2019–20, was also concluded.

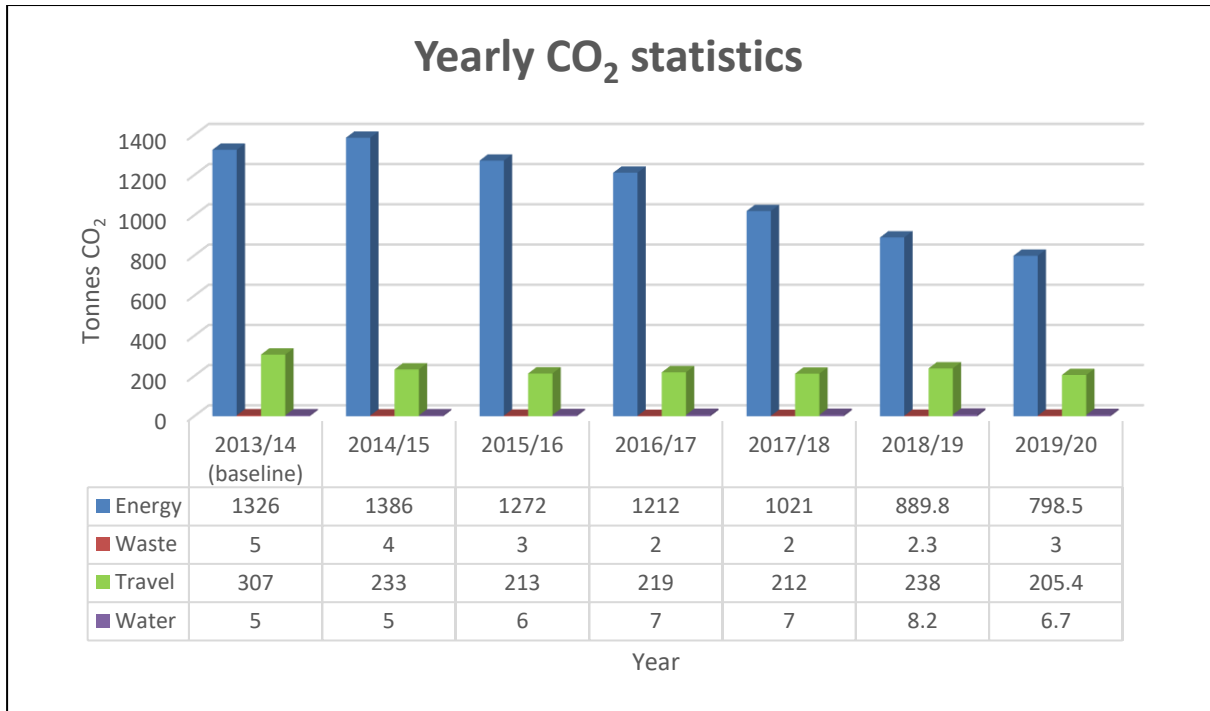
## **Environmental performance**

### **Carbon emissions**

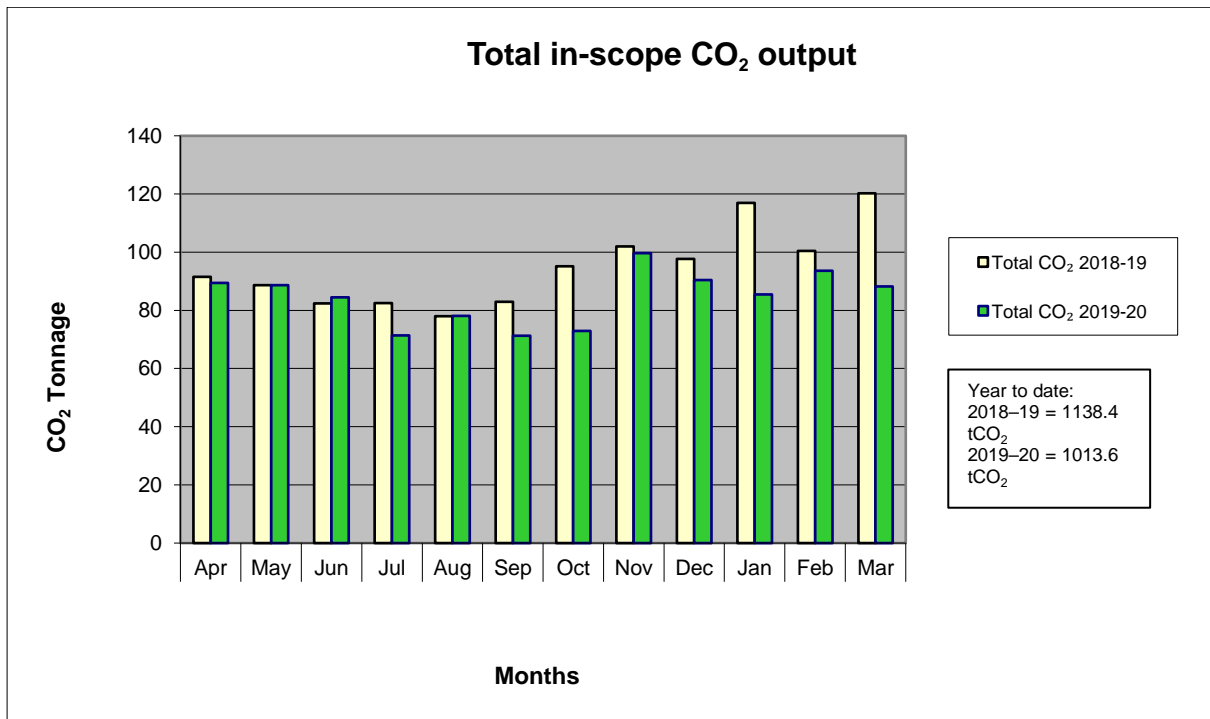
As a responsible business, we seek to minimise our contribution to global warming, and work hard to reduce our carbon emissions. Our 2015–19 Carbon Management Plan (CMP) has completed, but its principles are now part of ‘business as usual’, so we are still actively reducing carbon emission levels. This not only reduces our carbon footprint, but brings savings and other benefits to SQA.

Our efforts to reduce our carbon emissions aligns 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.

During 2019–20 we saw a reduction in our carbon emissions of 11% over the previous year’s 1,138.3 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). Our original commitment under the 2015–19 CMP was to maintain our carbon emissions at or below the level of the baseline year 2013–14 (1,643 tCO<sub>2</sub>e). Our 2019–20 figure of 1,013.6 tCO<sub>2</sub>e is now 38% below this level.



This year's total emissions are below last year's levels for nine of the 12 months, as shown in the chart below.



Carbon generated by air travel has not been included in cumulative reporting, but this was 254.6 tCO<sub>2</sub> in 2019-20, a fall of 58% from the 606.8 tCO<sub>2</sub> for flights in 2018-19.

## Recycling

During the past year, SQA has focused its environmental initiatives and communications to staff members on reducing waste, with an emphasis on reducing the consumption of single-use items. As part of this drive, we have removed all single-use cups from both our sites.

We have recently expanded our waste streams to include Terracycling for pens and crisp packets, and we have added food waste bins in staff kitchen areas. We aim to put as little of our waste as possible in landfill. The majority of SQA's waste is now recycled in some way, as the figures for 2019–20 show:

<b>Waste</b>	<b>Total (kg) 2019–20</b>	<b>% of all waste</b>	<b>Total (kg) 2018–19</b>	<b>% of all waste</b>
Confidential recycling	73,801	50.8%	62,627	55%
Dry mixed recycling	18,325	12.6%	15,610	14%
General waste (non-recycled)	41,348	28.5%	28,474	25%
Food waste	11,620	8%	7,280	6%

Food waste is sent for anaerobic digestion, and converted into biogas and fertiliser. Our general waste is sorted to recover any additional recyclable materials before the remainder is sent to waste-fuelled power plants as refuse-derived fuel (RDF). As a result, only a small amount of residual waste is 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.

## Financial model

As we noted in the description of our business model in the overview at the start of Part A, profit is not the principal driver of SQA's activities, though many of our activities do generate significant income. 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.

The prices charged for services in Scotland are agreed with Scottish Ministers and have been held constant since 2010. The past year, 2019–20, is the seventh year of an arrangement made by the Scottish Government with local authorities whereby SQA charges a fixed amount for the delivery of National Qualifications. The fixed charge, which does not cover the costs of delivery, is based on the volume of candidate entries submitted by local authorities in 2012–13.

SQA has the potential to generate other income by providing awarding services, consultancy work, and commercial contracts in markets outside Scotland. 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 [Strategic Goal 8](#).

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.

# Financial performance

## Financial overview

The results for the year to 31 March 2020 are given in the attached accounts (see section C), which have been prepared in accordance with the 2019–20 Government Financial Reporting Manual (FReM).

A budget (known as Departmental Expenditure Limit or DEL) is agreed with the 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 budget pressures facing the organisation, the financial position in 2019–20 had to be closely managed throughout the year in partnership with the Scottish Government.

## Performance against Departmental Expenditure Limit (DEL) in 2019–20

Performance	Final DEL £m	Actual drawdown £m	(Under allocation) £m
Resource DEL	35.495	35.455	0.040
Capital DEL	3.800	3.800	Nil
<b>Total DEL</b>	<b>39.295</b>	<b>39.255</b>	<b>0.040</b>
Ring-fenced DEL	3.059	3.102	(0.043)
Annually Managed Expenditure	8.000	Nil	8.000
Total	50.354	42.357	7.997

The total deficit for 2019–20 was £8.9m, which resulted from total net expenditure of £47.5m less depreciation of £3.1m, together with total grant funding income, excluding capital grants, of £35.5m. The deficit of £8.9m includes a £6.4m International Accounting Standard (IAS) 19 pension cost in excess of cash contributions. 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 to reflect its share of the movement in overall provision. SQA surplus for pensions in 2019–20 was £21.605m, with the previous year seeing a deficit of £11.910m. Full supporting information and calculations are in note 19 to the accounts.

## Income

SQA's income is generated from charging for the delivery of its products and services. Total income of £50.6m was earned in 2019–20, being entry charges of £42.0m (2018–19 £42.1m) and other income of £8.6m (2018–19 £8.1m).

## Expenditure

Operational costs were £97.3m, being staff costs £49.3m (2018–19: £48.2m); other expenditure £44.9m (2018–19: £40.3m); and depreciation £3.1m (2018–19: £2.0m).



As disclosed in the Remuneration and Staff Report, total staff costs of £50.3m were incurred in year, of which £1.03m related to capitalised employee costs. The remaining increase is attributable partly to the Voluntary Early Release Scheme (VER) that had an upfront cost of £2.6m but will have recurrent savings both in year and in future years. Although there was a reduction in IAS 19 pension costs of £0.7m, this was offset by the increase in salary costs due to the impact of the pay award; this was in line with the Scottish Government pay policy.

Other expenditure increased by £4.6m from 2018–19, mainly due to an increase in appointee-related costs of £2.547m (fees £1.622m and other related costs £0.925m), an increase in IT-related costs of £0.424m, an increase in business development specialist fees of £1.148m, and other smaller movements totalling £0.481m.

Depreciation and amortisation costs of £3.102m represent an increase of £1.067m over the previous year. This is mainly due to an increase in capital expenditure over the past two years, particularly relating to IT assets that are amortised over a three-year period.

## **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the year totalled £0.379m, which was used to purchase IT hardware £0.294m and furniture and fittings £0.085m.

## **Intangible assets**

Expenditure on intangible assets during the year totalled £3.201m. This was used to acquire IT software (£1.076m) and to develop assets under construction (£2.125m), which mainly consist of new system implementations. Total capital spend includes £1.03m of staff costs which were capitalised in developing the assets.

## **Auditors**

The accounts, for the year ended 31 March 2020, 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 2019–20 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 94% in 2019–20 (95% 2018–19).

**Fiona Robertson**

**Accountable Officer and Chief Executive**

**Scottish Qualifications Authority**

**26 August 2020**

# 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

Dr Janet Brown *(to 21/7/2019)*

Fiona Robertson *(from 22/7/2019)*

##### Non-Executive Board Members

Eleanor Craig

Anna Davis

Seán Hagney

Jane Handley

Dr Wendy Mayne

Hamish McKay

Grahame Smith

Roger Stewart

Dr Ken Thomson

##### Executive Management Team

Jean Blair

Michael Baxter\*

Maidie Cahill\*\*

Lee Downie

Linda Ellison\*\*\*

Dawnne Mahmoud\*\*\*\*

John McMorris

Dr Gill Stewart

\* From 6 January 2020

\*\* Until 31 January 2020

\*\*\* Until 20 November 2019

\*\*\*\* From 23 March 2020

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

#### Conflict of interest procedures

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

## **Personal data-related incidents**

Section 5.3.9 of the Government Financial Reporting Manual (FReM) requires that organisations report on personal data-related incidents. In 2019–20, two data breaches were reported to the ICO, along with the actions taken by SQA to contain and respond to the incidents. In both cases, the ICO was satisfied with the actions taken by SQA and no penalty was applied.

## **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 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.

## **2019–20 Governance statement**

In this section, SQA's Chief Executive sets out her approach to, and responsibility for, risk management, internal control, and corporate governance. It aims to give assurance that 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 2020 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**

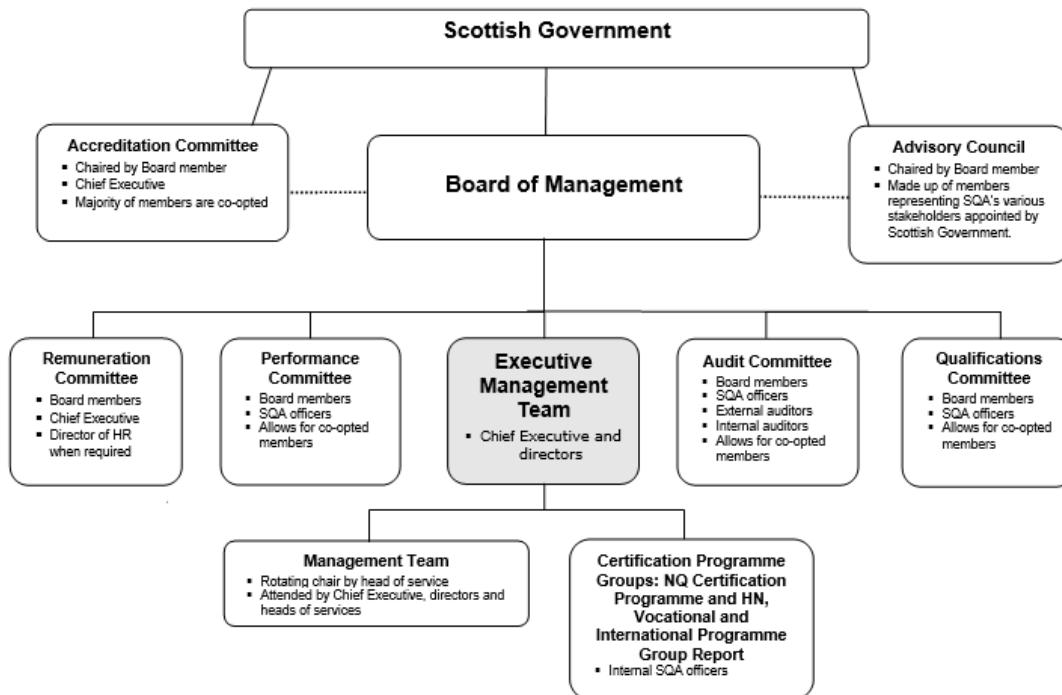
SQA is sponsored by the Scottish Government's Learning Directorate. As Accountable Officer, I and members of the Executive Management Team meet regularly with Ministers and/or colleagues at the Scottish Government, to provide an update on the organisation's progress. These meetings include discussion on matters such as policy development, performance, risks, and financial position. A representative of our sponsor department

attends meetings of the Board of Management as an observer. Copies of Board and committee papers are also issued to our sponsor department. 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 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.

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, Dr Ken Thomson, David Barnett, Wendy Burton (from Sept 2019), Diane Greenlees (from Feb 2020), Sonia Kordiak, Margaret Lannon, Eric Lumsden, Lyndsay McRoberts, Eileen Prior and Steven Quinn. 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 Roger Stewart (convenor), Valerie Mann (vice convenor), Paul Campbell, Jane Handley, Angela Newton, George Jamieson, Elaine Hutton, Lorna Trainer, Grahame Smith, 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 Eleanor Craig (convenor), Anna Davis, Hamish McKay and Roger Stewart.

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. 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), Eleanor Craig, Anna Davis, Dr Wendy Mayne, and Dr Ken Thomson.

The Qualifications Committee is a working group based on SQA's corporate objectives 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, and co-opted member Kenny McKay.

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

Board of Management	8
Audit	4
Performance	4
Qualifications	5
Advisory Council	4
Accreditation	4
Remuneration	1

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**

Scott-Moncrieff has developed a three-year strategy and plan for SQA's internal auditing. This will run from 2018 to 2020–21, and was approved by our Audit Committee in February 2018. The 2019–20 audit plan was approved by the Committee in March 2019. 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.

Scott-Moncrieff undertook a total of 11 internal audits in 2019–20. Specifically, these were: payroll, risk management, succession planning, review of restructuring and redeployment policies, strategic and operational planning, data lifecycle management, ISO27001 — IT Controls, international development, development of assessment materials, development of digital assessment materials and appointee fees and expenses authorisation, in addition to follow-up reviews to assess the extent to which management has implemented agreed audit actions.

In addition to this outsourced audit activity, SQA has an in-house audit programme, operated by trained staff. The ISO auditors received training from LRQA, which is certified by the United Kingdom Accreditation Service (UKAS).

The in-house auditors conducted four audits relating to ISO 9001 (Quality Management) processes: management systems/service delivery (Accreditation), management



systems, bid management and contract planning (Contract Services area), and one relating to ISO 27001 (Information Security) asset management personal data in the area of question papers.

## **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

## **Planning and performance framework**

The SQA Corporate Plan is 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.

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

Progress against Corporate Plan objectives is subject to review by the 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..

## **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 OCIO as part of our integrated assurance and approval plan for the delivery of major programmes within SQA.

## **Risk management framework**

All bodies to which the Scottish Public Finance Manual (SPFM) is applicable must operate a risk management strategy in accordance with guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. An outline of the significant risks facing SQA are listed in **Key issues and risks** on page 10 of the Performance report.

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

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

SQA's Board of Management undertakes a Strategic Risk Workshop to consider existing risks and new risks that the organisation could face in the future.

During 2019–20 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 is a feature of our current funding model that, as recognised in the Scottish Government's Budget Allocation and Monitoring Letter, SQA will generally require additional core grant-in-aid to meet operational costs over that set out in the Scottish Government's annual draft Budget Bill. While this entails the potential financial risk of SQA approving future spending commitments in the absence of identified budget allocations, the Scottish Government recognises this, and has stated its intention 'to ensure that the SQA remains a viable organisation', in order to deliver its core services. At the same time, the Scottish Government expects SQA to minimise costs and increase income where possible to reduce pressure on the public purse.

As part of its wider risk-management framework, SQA has continued to develop its arrangements for the management of business continuity. SQA has a full Business Continuity Management System validation programme that includes regular maintenance of plans, exercises, and reviews. Work 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 29 October 2019 we carried out director training as part of a rolling schedule of business continuity training. We considered the latest threats, worked through impacts and assessments, and the directors took part in a scenario, which included producing appropriate communications.

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

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

SQA has 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.

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. 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 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.

An anti-fraud policy and fraud response plan are in place, ensuring that all SQA employees understand their responsibilities in this area, and that prompt action is taken if financial irregularity is suspected. The previous Annual Report highlighted two instances of suspected financial irregularity. For one investigation, the external investigation into the suspected financial irregularity as it relates to SQA has been concluded with no further action taken. For the other, SQA continues to support the investigation but SQA's role as complainant has drawn to a close.

During 2019–20 there were two instances of financial irregularity. One resulted from a phishing email purporting to be from an SQA member of staff. The total loss was £1,531 and, as a result, the payroll team carried out a process review and further staff training to support the refreshed process. The second instance resulted from unauthorised expenditure — funds of £2,070 are being recovered and there will be no loss to SQA.

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

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

Data sharing arrangements are in place where required nationally and internationally.

## **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.

## **Voluntary Early Release scheme**

In early 2019, as part of our Change Programme, we announced a Voluntary Early Release (VER) scheme to assist in the business transformation process. During the period of this report, 101 members of staff applied for VER, and headcount was reduced by 62. This represents a recurring reduction in salary costs of £1,357,904, offset in the first year by VER payments totalling £2,580,675, giving a payback period of 24 months.

## **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
- ◆ Scott-Moncrieff's 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.

**Fiona Robertson**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**26 August 2020**

# Remuneration and Staff Report

## SQA's staff

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

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

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

## Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme (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 2019–20, employer's contributions of £5,666,425 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay, and 17.2% for STSS pensionable pay up to 31 August 2019 and 23% thereafter.

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 2019–20

<b>Pay tranche</b>	<b>Contribution rate paid on that tranche</b>
Up to and including £21,800	5.50%
Above £21,801 and up to £26,700	7.25%
Above £26,701 and up to £36,600	8.50%
Above £36,601 and up to £48,800	9.50%
Above £48,801	12.00%

## Scottish Teachers Superannuation Scheme contribution rates 2019–20

Full-time equivalent pensionable pay	Contribution rate
Up to and including £27,697	7.2%
£27,698–£37,284	8.7%
£37,285–£44,209	9.7%
£44,210–£58,590	10.4%
£58,591–£79,895	11.5%
£79,896 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 2019–20 were:

David Middleton — SQA Chair and Convener of the Remuneration Committee

Roger Stewart — SQA Board Member and Member of the Remuneration Committee

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

Dr Janet Brown — SQA Chief Executive and Officer of the Remuneration Committee\*

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

Maidie Cahill — SQA Director and Officer of the Remuneration Committee\*\*\*

Prof Alan Boyter — SQA Interim Director and Officer of the Remuneration Committee\*\*\*\*

Dawnne Mahmoud — SQA Director of People (Directorate was renamed) and Officer of the Remuneration Committee\*\*\*\*\*

\*\_Term of appointment as SQA's Accountable Officer and term of appointment as an officer of Remuneration Committee ended on 21.07.2019

\*\*\_Term of appointment as SQA's Accountable Officer and term of appointment as an officer of Remuneration Committee commenced on 22.07.2019

\*\*\*\_Term of appointment ended on 31.01.2020

\*\*\*\*\_Term of appointment as SQA interim director commenced on 01.06.2019 and ended on 31.03.2020. Term of appointment as an Officer of the Remuneration Committee commenced on 01.06.2019 and ended on 22.03.2020.

\*\*\*\*\*\_Term of appointment as SQA Director of People commenced on 23.03.2020. Term of appointment as an Officer of the Remuneration Committee commenced on 23.03.2020

## 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.

	2019–20				2018–19			
	Salaries and other payments	Benefits in kind	Pension accrued in year	Total	Salaries and other payments	Benefits in kind	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>								
Dr Janet Brown*	65–70	–	132	195–200	125–130	–	48	175–180
Fiona Robertson**	85–90	–	27	110–115	–	–	–	–
<b>Non-Executive Board Members</b>								
Eleanor Craig	0–5	–	–	0–5	0–5	–	–	0–5
Anna Davis	0–5	–	–	0–5	0–5	–	–	0–5
Seán Hagney	0–5	–	–	0–5	0–5	–	–	0–5
Jane Handley	0–5	–	–	0–5	0–5	–	–	0–5
Dr Wendy Mayne	0–5	–	–	0–5	0–5	–	–	0–5
Hamish McKay	0–5	–	–	0–5	0–5	–	–	0–5
Grahame Smith	0–5	–	–	0–5	0–5	–	–	0–5
Roger Stewart	0–5	–	–	0–5	0–5	–	–	0–5
Dr Ken Thomson	0–5	–	–	0–5	0–5	–	–	0–5
<b>Directors</b>								
Michael Baxter***	20–25	–	7	25–30	–	–	–	–
Jean Blair	90–95	–	59	150–155	90–95	–	37	125–130
Maidie Cahill****	100–105	–	38	140–145	90–95	–	53	140–145
Lee Downie	100–105	–	33	135–140	100–105	–	29	130–135
Linda Ellison*****	30–35	–	–	30–35	65–70	–	–	65–70
Dawnne Mahmoud*****	0–5	–	–	0–5	–	–	–	–
John McMorris	95–100	–	41	135–140	90–95	–	33	125–130
Dr Gill Stewart	100–105	–	53	155–160	100–105	–	77	175–180
Band of highest paid director's total remuneration	125–130				125–130			
Median total remuneration	32,924				31,055			
Ratio	3.87				4.11			
Staff remuneration range	17,558 – 125–130				17,047 – 125–130			

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

The total emolument of all directors, non-executive directors and the chair was £904,000 (2018: £869,000)

\* J Brown's term of appointment as Chief Executive Officer ended on 21.07.2019. J Brown left SQA 31.08.2019. Her full year equivalent salary was £130–135k.

\*\* F Robertson joined SQA as Chief Executive Officer on 22.07.2019. Her full year equivalent salary was £125–130k.



\*\*\* M Baxter joined SQA 06.01.2020. His full year equivalent salary was £85–90k

\*\*\*\* M Cahill left SQA 31.01.2020. Her full year equivalent salary was £90–95k

\*\*\*\*\* L Ellison left SQA 20.11.2019. Her full year equivalent salary was £70–75k

\*\*\*\*\* D Mahmoud joined SQA 23.03.20. Her full year equivalent salary was £85–90k

There were no bonuses paid in 2019–20.

#### Board Member Expenses

Board members receive reimbursement of the actual expenses they incur in travelling to SQA offices to attend Board of Management and other meetings, and to undertake non-executive director responsibilities. Only actual travel costs incurred are reimbursed. The total paid to Board members in 2020 was £9,000 (2019 £6,000).

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

#### Pensions entitlement earned 2019–20

	Real increase in pension	Real increase in lump sum	Total accrued pension at 31 March 2020	Total accrued lump sum at 31 March 2020	Cash equivalent transfer value at 31 March 2019	Cash equivalent transfer value at 31 March 2020	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive</b>							
Dr Janet Brown	5–7.5	0–2.5	130–135	235–240	820	825	5
Fiona Robertson	0–2.5	0–2.5	25–30	0–5	–	22	22
<b>Directors</b>							
Michael Baxter	0–2.5	0–2.5	5–10	0–5	–	5	5
Jean Blair	2.5–5	0–2.5	55–60	60–65	596	693	97
Maidie Cahill	0–2.5	0–2.5	35–40	45–50	699	684	(15)
Lee Downie	0–2.5	0–2.5	30–35	0–5	37	67	30
John McMorris	0–2.5	0–2.5	40–45	5–10	232	285	53
Dr Gill Stewart	2.5–5	0–2.5	50–55	85–90	882	985	103

**Pensions entitlement earned 2018–19**

	Real increase in pension	Real increase in lump sum	Total accrued pension at 31 March 2019	Total accrued lump sum at 31 March 2019	Cash equivalent transfer value at 31 March 2018	Cash equivalent transfer value at 31 March 2019	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive</b>							
Dr Janet Brown	2.5–5	0–2.5	40–45	60–65	782	820	38
<b>Directors</b>							
Jean Blair	0–2.5	0–2.5	35–40	55–60	550	596	46
Maidie Cahill	2.5–5	0–2.5	30–35	45–50	643	699	56
Lee Downie	0–2.5	0–2.5	0–5	0–5	14	37	23
John McMorris	0–2.5	0–2.5	15–20	5–10	202	232	30
Dr Gill Stewart	2.5–5	2.5–5	45–50	80–85	790	882	92

The Chief Executive and all the directors, with the exception of Linda Ellison, are ordinary members of the Strathclyde Pension Fund.

## Staff Report

Number of senior staff (or equivalent) by band:

Grade	2019–20	2018–19
	Number of staff	Number of staff
Chief executive	1	1
Director	6	6
Head of service	32	35

Staff costs comprise:

	Executive Board Members £'000	Non-Executive Members £'000	Permanently employed staff £'000	Others £'000	2019–20 Total £'000	2018–19 Total £'000
Wages and salaries	689	71	30,378	2,058	33,196	32,143
Social security costs	91	3	3,018	-	3,112	2,904
Other pension costs	121	-	11,240	-	11,361	13,116
Severance and compensation	23	-	2,624	-	2,647	25
<b>Sub-total</b>	924	74	47,260	2,058	50,316	48,188
Less recoveries in respect of outward secondments	-	-	-	-	-	(20)
<b>Total net costs</b>	924	74	47,260	2,058	50,316	48,168

Included within wages and salaries are additional costs in relation to capitalised salary costs of £1,030,000 (2019: £nil).

### Average number of persons employed

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

	Permanent Staff	Others	2019–20 Total	2018–19 Total
Awarding and related activities	809	126	935	934
Accreditation	20	-	20	21
Total	829	126	955	955

### Staff composition

Grade	2020			2019		
	Male	Female	Total	Male	Female	Total
Chief Executive	-	1	1	-	1	1
Directors	3	3	6	2	4	6
Non-Executive Board Members	6	4	10	6	4	10
Senior employees	19	13	32	20	14	34
Other	339	564	903	344	588	932
Total headcount	367	585	952	372	611	983

## **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, eg 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.

In the year 2019–20 our sickness absence increased slightly by 0.1% from 4.4% in 2018–19 to 4.5%. We track the absence level against the public sector benchmark of 3.85%.

We track the retention level against the public sector benchmark of 9.40% turnover. SQA has generally been below this benchmark, but this year's figure has been affected by the VER scheme. For the rolling 12 months (April 2019 to March 2020) the staff turnover average was 10.6%, up 3.3% from the previous year.

## **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, and which we are leading in the public sector with many initiatives. Flexible working gives employees more options about how long, where and when they work. At the end of 2019–20, 14.8% of SQA staff were on flexible working contracts compared with 11.7% at the end of 2018-19. We also tracked a proportion of the jobs we advertise with our 'happy to talk flexible' caption, and during 2019–20 35% (2018–19 21.15%) of jobs advertised specifically included our 'happy to talk flexible' caption. SQA has been recognised by Family Friendly Working Scotland for our initiatives around flexible working.

## **Staff policies applied**

SQA continues as a recognised Disability Confident Employer. We received renewed Disability Confident Level 2 recognition in September 2019.

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 by an HR referral if an individual is absent from work on a long-term or intermittent short-term basis.

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

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

### **Other employee matters**

SQA's gender pay gap as at January 2020 was 7% (ie average female salary was 93% of average male salary). This is lower than Scotland's overall gender pay gap of 14.3%. The organisation published its latest [Equality Mainstreaming Report](#) in April 2019, which is available on the SQA website.

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. Implementation of agreed workforce planning processes began in autumn 2019, managed by OD and HR teams. Succession plans have been developed for senior posts and our planning and process in this area have been externally audited.

### **Trade unions**

We recognise the importance of good industrial relations and effective communication with our staff. SQA recognises two trade unions: Unite and Unison. We are working together to make improvements in how we work jointly and in collaborative partnership for the benefit of SQA and all our staff. We are reviewing our recognition agreement and terms of reference, and we are also reviewing all HR policies. The Board is committed to overseeing the development and implementation of a new people strategy.

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	9
Full-time equivalent employee number	7.45

### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1%–50%	9
51%–99%	-
100%	-

### Percentage of pay bill spent on facility time

Total cost of facility time	£39,414
Total pay bill	£50.316 million
Percentage of total pay bill spent on facility time	0.08%

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	4.02%
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### Exit packages

There were 68 exit packages during 2019–20 (of which 62 related to the Voluntary Early Release Scheme).

Exit package cost band	Number of compulsory redundancies	2020		Total number of exit packages by cost band	2019		Total number of exit packages by cost band
		Number of departures	Number of other departures agreed		Number of compulsory redundancies	Number of other departures agreed	
< £10,000	0	7	7	0	1	1	
£10,000–£25,000	0	13	13	0	1	1	
£25,000–£50,000	0	27	27	0	0	0	
£50,000–£100,000	0	19	19	0	0	0	
£100,000–£150,000	0	2	2	0	0	0	
<b>Total number of exit packages</b>	0	68	68	0	2	2	
<b>Total cost /£</b>	0	2,647,000	2,647,000	0	25,000	25,000	

Exit packages include pay in lieu of notice and other benefits in kind (taxable and non-taxable).

# Parliamentary and Accountability Report

## Regularity of expenditure

The accounts have been prepared in a form directed by Scottish Ministers in accordance with section 16 of the Education (Scotland) Act 1996, as amended by the Public Finance and Accountability (Scotland) Act 2000, and the Government Financial Reporting Manual 2019-20. In all material respects expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and direction issued by Scottish Ministers.

## Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £50.6m in 2019–20 (2018–19 £50.2m).

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

<b>Income</b>	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Entry charges*	41,967	42,114
Other income**	8,625	8,070
<b>Total fees</b>	<b>50,592</b>	<b>50,184</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

During the year SQA made 68 payments in relation to severance payments to staff, totalling £2,647,000. The highest individual payment made was £129,397, the lowest payment was £1,192 and the median payment of £38,833. Additional information on these payments is disclosed in the Accountability Report section of the Remuneration and Staff Report.

The Statement of Comprehensive Net Expenditure includes losses which comprise write-off of IT assets (£96k, previous year £206k) and irrecoverable debt (£89k, previous year £60k). The bad debt provision (£202k, previous year £153k) is disclosed in note 12.

## Remote contingent liabilities

There were no contingent liabilities, other than those disclosed in note 18, at 31 March 2020 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

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

## **Report 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 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 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 Scottish Qualifications Authority's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and accounts direction 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 18 July 2016. The period of total uninterrupted appointment is four years. I am independent of the Scottish Qualifications Authority 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 Standards, 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- ◆ the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Risks of material misstatement**

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions 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 deemed inappropriate.

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

My objectives are to achieve 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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. 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 matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report 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. 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.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

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.

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.

Dave Richardson  
Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow G2 1BT

26 August 2020

# C: Accounts 2019–20

## Statement of comprehensive net expenditure

for the year ended 31 March 2020

	Note	2019–20 £'000	2018–19 £'000
<b>Expenditure</b>			
Staff costs	3	49,286	48,168
Depreciation and amortisation charges	8(ii)	3,102	2,035
Other expenditures	4	44,911	40,300
		<hr/>	<hr/>
		97,299	90,503
<b>Income</b>			
Entry charges	5	41,967	42,114
Other income	6	8,625	8,070
		<hr/>	<hr/>
		50,592	50,184
<b>Net expenditure</b>		(46,707)	(40,319)
Interest payable	7	(751)	(345)
		<hr/>	<hr/>
<b>Net expenditure after interest</b>		(47,458)	(40,664)
<b>Other comprehensive net expenditure:</b>			
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	19	21,605	(11,910)
		<hr/>	<hr/>
Total comprehensive net expenditure for the year		(25,853)	(52,574)

The notes on pages 80–103 form part of these accounts.

## Statement of financial position

as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8(i)	2,738	3,640
Intangible assets	9	5,688	4,404
Trade and other receivables	12	2,385	188
Financial assets	11	-	112
<b>Total non-current assets</b>		<u>10,811</u>	<u>8,344</u>
<b>Current assets</b>			
Trade and other receivables	12	21,692	24,067
Cash and cash equivalents	13	3,154	2,828
<b>Total current assets</b>		<u>24,846</u>	<u>26,895</u>
<b>Total assets</b>		<u>35,657</u>	<u>35,239</u>
<b>Current liabilities</b>			
Trade and other payables	14	(8,614)	(8,562)
<b>Total current liabilities</b>		<u>(8,614)</u>	<u>(8,562)</u>
<b>Non-current assets plus net current assets</b>		<u>27,043</u>	<u>26,677</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	15	(437)	(462)
Defined benefit liability	19	(12,788)	(27,944)
<b>Total non-current liabilities</b>		<u>(13,225)</u>	<u>(28,406)</u>
<b>Assets less liabilities</b>		<u>13,818</u>	<u>(1,729)</u>
<b>Taxpayers' equity</b>			
Revaluation reserves		-	66
General reserve		13,818	(1,795)
<b>Total taxpayers' equity</b>		<u>13,818</u>	<u>(1,729)</u>

The accounts were approved by the Board of Management and were signed on 26 August 2020 on its behalf by:

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

The notes on pages 80–103 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2020

	Note	2019–20 £'000	2018–19 £'000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(47,458)	(40,664)
<b>Adjustments for non-cash items</b>			
Depreciation and amortisation	8(ii)	3,102	1,829
(Gain)/Loss on non-current assets	4	96	206
Notional Optima rent	4	2,186	1,590
Decrease in revaluation reserve	4	(66)	-
Decrease in defined benefit liability cost	19	6,449	8,053
<b>Movements in working capital</b>			
Decrease/(Increase) in trade and other receivables	12	178	(9)
Increase/(Decrease) in trade and other payables	14	52	(1,544)
<b>Movements in provisions and long-term liabilities</b>			
Increase of provisions		-	27
<b>Net cash outflow from operating activities</b>		<u>(35,461)</u>	<u>(30,512)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8(i)	(379)	(1,574)
Purchase of intangible assets	9	(3,201)	(2,326)
Sale of financial assets	6	112	-
Decrease in financial assets	11(i)	-	(1)
<b>Net cash outflow from investing activities</b>		<u>(3,468)</u>	<u>(3,901)</u>
<b>Cash flows from financing activities</b>			
Scottish Government Grant in Aid Funding	16	28,978	23,416
Scottish Government Programme Funding	16	6,477	6,655
Scottish Government Capital Funding	16	3,800	3,858
<b>Net financing</b>		<u>39,255</u>	<u>33,929</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	13	326	(484)
<b>Cash and cash equivalents at the beginning of the period</b>	13	2,828	3,312
<b>Cash and cash equivalents at the end of the period</b>		<u>3,154</u>	<u>2,828</u>

The notes on pages 80–103 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2020

	Note	Revaluation reserves £'000	General reserve £'000	Total reserves £'000
<b>Balance at 31 March 2018</b>		67	15,234	15,301
<b>Changes in taxpayers' equity for 2018–19</b>				
Net (loss) on revaluation of investments	11(i)	(1)	-	(1)
Actuarial gain/(loss)	19	-	(11,910)	(11,910)
Unfunded benefits paid	15	-	26	26
Notional funding		-	1,590	1,590
Net expenditure after interest		-	(40,664)	(40,664)
Total recognised income and expense for 2018–19		(1)	(50,958)	(50,959)
Scottish Government funding	16	-	33,929	33,929
<b>Balance at 31 March 2019</b>		66	(1,795)	(1,729)
<b>Changes in taxpayers' equity for 2019–20</b>				
Net (loss) on revaluation of investments		(66)	-	(66)
Actuarial gain/(loss)	19	-	21,605	21,605
Unfunded benefits paid	15	-	25	25
Notional funding		-	2,186	2,186
Net expenditure after interest		-	(47,458)	(47,458)
Total recognised income and expense for 2019–20		-	(25,437)	(25,437)
Scottish Government funding	16	-	39,255	39,255
<b>Balance at 31 March 2020</b>		-	13,818	13,818

The notes on pages 80–103 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 2019–20 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies set out in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 2019–20 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 2019–20 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 19 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.

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

The threshold for capitalising assets is £3,000.

#### **1.4 Depreciation**

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

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

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

#### **1.5 Intangible assets**

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

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

Future economic benefit has been used as the 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.

## **1.6 Investments**

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

## **1.7 Income recognition**

Income from entry charges is derived from three types of core award: 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.

## **1.8 Foreign exchange**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At the year-end, monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the statement of financial position date. Any gain or loss arising on the restatement of such balances is taken to the statement of comprehensive net expenditure.

## **1.9 Leases**

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

There are no assets held under finance leases.

## **1.10 Financial instruments**

Financial instruments are recognised in the statement of financial position when an obligation is identified, and released as that obligation is fulfilled. Cash, debtors, and creditors are held at cost. As SQA's income is derived mainly from public sector organisations, it is not subject to any significant liquidity risk exposure. Any cash held on deposit is with highly rated banks and there is no significant interest-rate risk. SQA operates

two bank accounts denominated in foreign currencies (Euro and US Dollar). Both of these are reconciled on a monthly basis, whereupon any gains or losses on their translation to GBP are taken to the statement of comprehensive net expenditure. Due to the low value of balances held in these accounts there is no significant currency risk to SQA.

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

### **1.11 Grants receivable**

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

### **1.12 Provisions**

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

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

### **1.13 Taxation**

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

SQA suffers withholding tax, 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.

### **1.14 VAT**

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

### **1.15 Pensions**

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

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

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 2017 and the next formal valuation is due at 31 March 2020. In preparing the projected pension expense for the year to 31 March 2020, 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.

### **1.16 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 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £22.516m.

However, the assumptions interact in complex ways. During 2019–20, the actuaries advised that the remeasured net pension liability had decreased by: £24.541m attributable to the updating of financial assumptions; £7.537m attributable to changes in demographic assumptions; and £1.333m due to other experience. The net liability had increased by £11.806m due to the expected return on pension fund assets.

### **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 2020 but this has now been deferred until April 2021. 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 2020. The standard is expected to increase total expenditure by £2.7 million. Right-of-use assets totalling £16 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>2019–20</b>			
Staff costs	48,342	944	49,286
Depreciation	3,102	-	3,102
Other expenditures	44,783	128	44,911
<b>Total expenditure</b>	<b>96,227</b>	<b>1,072</b>	<b>97,299</b>
Entry charges	41,967	-	41,967
Other income	8,625	-	8,625
Scottish Government funding	38,230	1,025	39,255
	88,822	1,025	89,847
Funding credited to reserves	(38,230)	(1,025)	(39,255)
<b>Total income</b>	<b>50,592</b>	<b>-</b>	<b>50,592</b>
<b>Net expenditure</b>	<b>(45,635)</b>	<b>(1,072)</b>	<b>(46,707)</b>
<b>2018–19</b>			
Staff costs	47,187	981	48,168
Depreciation	2,035	-	2,035
Other expenditures	40,256	44	40,300
<b>Total expenditure</b>	<b>89,478</b>	<b>1,025</b>	<b>90,503</b>
Entry charges	42,114	-	42,114
Other income	8,070	-	8,070
Scottish Government funding	32,904	1,025	33,929
	83,088	1,025	84,113
Funding credited to reserves	(32,904)	(1,025)	(33,929)
<b>Total income</b>	<b>50,184</b>	<b>-</b>	<b>50,184</b>
<b>Net expenditure</b>	<b>(39,294)</b>	<b>(1,025)</b>	<b>(40,319)</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

	2019–20 £'000	2018–19 £'000
Wages and salaries	32,166	32,143
Social security costs	3,112	2,904
Other pension costs	11,361	13,116
Severance and compensation	2,647	25
<b>Sub-total</b>	<u>49,286</u>	<u>48,188</u>
Less recoveries in respect of outward secondments	-	(20)
<b>Total net costs</b>	<u>49,286</u>	<u>48,168</u>

In addition to staff costs recorded above there were capitalised salary costs of £1,030,000 (2019: £nil).

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

### 4 Other expenditures

	2019–20 £'000	2018–19 £'000
Appointee fees	16,468	14,846
IT costs	5,162	4,738
Business development specialists' fees and expenses	4,217	3,069
Property expenses	3,340	3,076
Property rent and service	3,293	3,351
Appointee expenses and related costs	3,240	2,733
Miscellaneous staff costs	877	997
Staff travel	344	472
Staff training	271	285
Staff subsistence	207	278
Catering for internal and examination procedures meetings	33	39
Staff related costs	<u>1,732</u>	<u>2,071</u>
Postage and telephone	1,615	1,489
Appointee release compensation	1,604	1,186
Miscellaneous	1,246	155
PR, marketing and publications	1,005	1,265
Assessment stationery and certificates	739	1,237
Equipment and supplies	657	624
Question paper production and printing	593	457
Board and committee expenses	-	3
	<u>44,911</u>	<u>40,300</u>

Included within Property expenses is a notional charge of £2,186,000 (2019: £1,590,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £47,850 (2019: £47,210) relating to external audit fees.

Included within Board and committee expenditure in 2019 was £3,000 in relation to a Pay Settlement Agreement with HMRC for Board expenses. This agreement finished in 2019 therefore no costs recorded in 2020.

## 5 Entry charges

	2019–20 £'000	2018–19 £'000
National Qualifications:		
National Courses and Units	30,744	31,288
Post-results Services	295	346
	<hr/>	<hr/>
	31,039	31,634
Higher National Qualifications	5,915	5,917
Scottish Vocational Qualifications	5,013	4,563
	<hr/>	<hr/>
	41,967	42,114

## 6 Other income

Commercial testing services	7,146	6,458
Customised award charges	541	547
Consultancy, secondments and research	308	542
Miscellaneous income	267	55
Replacement certificate charges	265	285
Royalty income	45	137
Commercial events	21	17
Other interest income	19	7
Sale of publications	12	19
Income from investments for unfunded pensions	1	3
	<hr/>	<hr/>
	8,625	8,070

Included within Other Income is £112,000 (2019: £nil) relating to the sale of investments.

## 7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	4	(26)
Pension provision cost (note 19)	(755)	(319)
	<hr/>	<hr/>
	(751)	(345)



## 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 2019	5,810	4,315	97	489	275	10,986
Additions	-	294	-	-	85	379
Reclassifications	-	-	-	-	-	-
Disposals	-	(466)	-	-	-	(466)
Transfers	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>5,810</b>	<b>4,143</b>	<b>97</b>	<b>489</b>	<b>360</b>	<b>10,899</b>
<b>Depreciation</b>						
At 1 April 2019	4,055	2,670	68	447	106	7,346
Charged in year	387	792	11	14	77	1,281
Reclassifications	-	-	-	-	-	-
Disposals	-	(466)	-	-	-	(466)
<b>At 31 March 2020</b>	<b>4,442</b>	<b>2,996</b>	<b>79</b>	<b>461</b>	<b>183</b>	<b>8,161</b>
<b>Net book value</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>At 31 March 2019</b>	<b>1,755</b>	<b>1,645</b>	<b>29</b>	<b>42</b>	<b>169</b>	<b>3,640</b>
<b>Asset financing:</b>						
Owned	1,368	1,147	18	28	177	2,738
Finance lease	-	-	-	-	-	-
<b>Net book value 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>

	Leasehold building improvements	Information technology	Motor vehicles	Plant & machinery	Furniture & fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 April 2018	5,810	4,439	97	552	219	11,117
Additions	-	1,518	-	-	56	1,574
Reclassifications	-	-	-	-	-	-
Disposals	-	(1,621)	-	(63)	-	(1,684)
Transfers	-	(21)	-	-	-	(21)
<b>At 31 March 2019</b>	<b>5,810</b>	<b>4,315</b>	<b>97</b>	<b>489</b>	<b>275</b>	<b>10,986</b>
<b>Depreciation</b>						
At 1 April 2018	3,668	3,869	55	493	54	8,139
Charged in year	387	422	13	17	52	891
Reclassifications	-	-	-	-	-	-
Disposals	-	(1,621)	-	(63)	-	(1,684)
<b>At 31 March 2019</b>	<b>4,055</b>	<b>2,670</b>	<b>68</b>	<b>447</b>	<b>106</b>	<b>7,346</b>
<b>Net book value</b>						
<b>At 31 March 2019</b>	<b>1,755</b>	<b>1,645</b>	<b>29</b>	<b>42</b>	<b>169</b>	<b>3,640</b>
<b>At 31 March 2018</b>	<b>2,142</b>	<b>570</b>	<b>42</b>	<b>59</b>	<b>165</b>	<b>2,978</b>
<b>Asset financing:</b>						
Owned	1,755	1,645	29	42	169	3,640
Finance lease	-	-	-	-	-	-
<b>Net book value at 31 March 2019</b>	<b>1,755</b>	<b>1,645</b>	<b>29</b>	<b>42</b>	<b>169</b>	<b>3,640</b>

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

(ii) Depreciation and amortisation charges

	<b>Note</b>	<b>2019–20 £'000</b>	<b>2018–19 £'000</b>
Depreciation charge for the year	8(i)	1,281	891
Amortisation and impairment charge for the year	9	1,821	1,144
<b>Total charge for the year</b>		<b>3,102</b>	<b>2,035</b>

## 9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2019	203	1,201	10,021	2,889	14,314
Additions	-	-	1,076	2,125	3,201
Reclassifications	-	-	-	-	-
Transfers	-	-	3,952	(3,952)	-
Impairments	-	-	-	-	-
Disposals	-	(562)	(2,487)	(15)	(3,064)
<b>At 31 March 2020</b>	<b>203</b>	<b>639</b>	<b>12,562</b>	<b>1,047</b>	<b>14,451</b>
<b>Amortisation</b>					
At 1 April 2019	203	1,031	8,676	-	9,910
Charged in year	-	38	1,783	-	1,821
Disposals	-	(562)	(2,406)	-	(2,968)
<b>At 31 March 2020</b>	<b>203</b>	<b>507</b>	<b>8,053</b>	<b>-</b>	<b>8,763</b>
<b>Net book value</b>					
<b>At 31 March 2020</b>	<b>-</b>	<b>132</b>	<b>4,509</b>	<b>1,047</b>	<b>5,688</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>170</b>	<b>1,345</b>	<b>2,889</b>	<b>4,404</b>
Externally generated	-	132	4,509	1,047	5,688
	-	132	4,509	1,047	5,688
<b>Cost or valuation</b>					
At 1 April 2018	203	1,303	10,600	1,236	13,342
Additions	-	170	44	2,112	2,326
Reclassifications	-	-	-	-	-
Transfers	-	21	302	(302)	21
Impairments	-	-	(49)	(157)	(206)
Disposals	-	(293)	(876)	-	(1,169)
<b>At 31 March 2019</b>	<b>203</b>	<b>1,201</b>	<b>10,021</b>	<b>2,889</b>	<b>14,314</b>
<b>Amortisation</b>					
At 1 April 2018	203	1,303	8,635	-	10,141
Charged in year	-	21	917	-	938
Disposals	-	(293)	(876)	-	(1,169)
<b>At 31 March 2019</b>	<b>203</b>	<b>1,031</b>	<b>8,676</b>	<b>-</b>	<b>9,910</b>
<b>Net book value</b>					
<b>At 31 March 2019</b>	<b>-</b>	<b>170</b>	<b>1,345</b>	<b>2,889</b>	<b>4,404</b>
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>1,965</b>	<b>1,236</b>	<b>3,201</b>
Externally generated	-	170	1,345	2,889	4,404
	-	170	1,345	2,889	4,404

## 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 Financial assets

	Note	31 March 2020 £'000	31 March 2019 £'000
<b>Non-current assets</b>			
Investments for unfunded pensions	11(i)	-	112
<b>Current assets</b>			
Investments for unfunded pensions	11(i)	-	-
		-	112

### (i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
<b>Market value at 1 April 2018</b>	113	-	113
Additions	-	-	-
Disposals	-	-	-
Revaluation	(1)	-	(1)
<b>Market value at 31 March 2019</b>	112	-	112
Additions	-	-	-
Disposals	(112)	-	(112)
Revaluation	-	-	-
<b>Market value at 31 March 2020</b>	-	-	-

## 12 Trade and other receivables

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	4,390	4,012
Other receivables	52	58
Prepayments and accrued income	17,250	19,997
	21,692	24,067
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	2,385	188
	2,385	188

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

Other central government bodies	281	74
Local authorities	55	25
NHS body	7	1
	343	100

Included within trade receivables is a bad debt provision of £202,000 (31 March 2019: £153,000). During the year, £89,000 of bad debt was written off (2019: £60,000).

Included within other receivables are loans to staff (mainly travel pass loans) amounting to £46,000 (31 March 2019: £48,000).

## 13 Cash and cash equivalents

<b>Balance at 1 April 2019</b>	2,828	3,312
Net change in cash and cash equivalent balances	326	(484)
<b>Balance at 31 March 2020</b>	3,154	2,828

The following cash balances were held at 31 March 2020:

Government banking service	(257)	24
Commercial banks and cash in hand	3,411	2,804
	3,154	2,828

## 14 Trade and other payables

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
<b>Amounts falling due within one year:</b>		
VAT	3	16
Other taxation and social security	826	834
Trade payables	82	40
Other payables	697	697
Accruals and deferred income	7,006	6,975
	<u>8,614</u>	<u>8,562</u>

## 15 Provisions for liabilities and charges

SQA unfunded pensions	437	462
	<u>437</u>	<u>462</u>

### (i) SQA unfunded pensions

	<b>£'000</b>
<b>Balance at 1 April 2018</b>	445
Provisions not required written back	-
Provisions utilised in the year	(9)
Unwinding of discount	26
	<u>462</u>
<b>Balance at 31 March 2019</b>	462
Provisions not required written back	-
Provisions utilised in the year	(25)
Unwinding of discount	-
	<u>437</u>
<b>Balance at 31 March 2020</b>	<u>437</u>

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.

## 16 Government funding

	2019–20 £'000	2018–19 £'000
Scottish Government accreditation	1,025	1,025
Scottish Government development	5,452	5,630
	<hr/>	<hr/>
	6,477	6,655
Grant-in-aid	28,978	23,416
Capital funding	3,800	3,858
	<hr/>	<hr/>
	39,255	33,929

## 17 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. The Scottish Government pays the Optima rent and landlord's management charges for the Optima Building without recourse to SQA. The treatment of this arrangement shows the notional cost of the Optima rent included in property expenses (note 4) and the notional refund included in government funding (note 16).

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

	31 March 2020 £'000	31 March 2019 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	667	1,580
Later than one year but not later than five years	-	667
Later than five years	-	-
	<hr/>	<hr/>
	667	2,247

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 16).



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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'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	10,964	12,007
	16,179	17,222

In addition, SQA signed a 3-year extension from 1 April 2017 with the Scottish Mining Trust for the lease of property at Newtongrange. Obligations under this lease amount to £119,000, all no later than one year.

There are no other operating leases.

### **Finance leases**

There are no finance leases in operation.

## **18 Contingent liabilities**

A recent circular from the Scottish Public Pensions Agency (Local Government Pension Scheme 2020/04) refers to a ruling that same-sex survivors were originally entitled to survivor benefits, taking into account the member's service from 6 April 1978. Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male survivors of female members.

While this could have a financial impact on future years' costs, any impact cannot be quantified. Given the uncertainty, no provision has been made in the accounts.

There were no other known contingent liabilities at 31 March 2020 (2019: £nil).

## **19 Pension costs**

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

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded, multi-employer defined benefit scheme covering teachers and related occupations. 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 £5,666,000 (2019: £5,382,000), consisting of £5,608,000 (2019: £5,312,000) to the LGPS Scheme and £58,000 (2019: £70,000) to the STSS Scheme. Included within other payables (note 14) are outstanding contributions of £614,000 (2019: £606,000) due to the LGPS Scheme and £nil (2019: £9,000) due to the STSS Scheme at 31 March 2020. In 2020–21 total contributions to LGPS are expected to be £5,637,000.

Actuarial valuations for both schemes are prepared, with the last LGPS valuation to 31 March 2017 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 1 April 2019 was 17.2%, increasing from 1 September to 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 2020.

The following information relates to the Strathclyde LGPS.

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

	<b>2019–20</b> <b>£'000</b>	<b>2018–19</b> <b>£'000</b>
Current service cost	13,113	10,603
Past service cost	(1,011)	2,392
Interest on obligation	5,020	4,723
Expected return on plan assets	(4,265)	(4,404)
	<u>12,857</u>	<u>13,314</u>

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

Staff costs	12,102	12,995
Interest payable	755	319
	<u>12,857</u>	<u>13,314</u>

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

	<b>2019–20</b> <b>£'000</b>	<b>2018–19</b> <b>£'000</b>
Present value of funded obligations	(185,675)	(202,657)
Fair value of employer assets	172,887	175,008
Net (under) funding in funded plans	<u>(12,788)</u>	<u>(27,649)</u>
Present value of unfunded obligations	-	(295)
<b>Net (liability)</b>	<u>(12,788)</u>	<u>(27,944)</u>
Amounts in the statement of financial position:		
Defined benefit liability	(12,788)	(27,944)
<b>Net (liability)</b>	<u>(12,788)</u>	<u>(27,944)</u>

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Movement in present value of defined benefit obligation		
Opening defined benefit obligation	202,952	169,154
Current service cost	13,113	10,603
Past service cost	(1,011)	2,392
Interest cost	5,020	4,723
Actuarial loss from change in demographic assumptions	-	-
Actuarial loss from change in financial assumptions	(24,541)	17,195
Actuarial loss from change in demographics	(7,537)	-
Other experience	(1,333)	10
Contributions by members	1,917	1,794
Benefits paid	(2,905)	(2,919)
<b>Closing defined benefit obligation</b>	<b>185,675</b>	<b>202,952</b>

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Movement in fair value of plan assets		
Opening fair value of plan assets	175,008	161,156
Contributions by employer	6,408	5,261
Interest income on plan assets	4,265	4,404
Contributions by members	1,917	1,794
Expected return on plan assets	(11,806)	5,295
Contributions in respect of unfunded benefits	-	17
Benefits paid	(2,905)	(2,919)
<b>Closing fair value of plan assets</b>	<b>172,887</b>	<b>175,008</b>

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

	31 March 2020				31 March 2019			
	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	39,881	105	39,986	23	40,371	106	40,477	23
Debt securities	5,425	-	5,425	3	5,491	-	5,491	3
Private equity	-	20,659	20,659	12	-	20,913	20,913	12
Real estate	-	15,653	15,653	9	-	15,845	15,845	9
Investment funds and unit trusts	56,749	16,934	73,683	43	57,445	17,141	74,586	43
Derivatives	4	-	4	-	4	-	4	-
Cash and cash equivalents	8,900	8,577	17,477	10	9,009	8,683	17,692	10
<b>Total</b>	<b>110,959</b>	<b>61,928</b>	<b>172,887</b>	<b>100</b>	<b>112,320</b>	<b>62,688</b>	<b>175,008</b>	<b>100</b>

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

	<b>2019–20</b>	<b>2018–19</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gain/(loss) arising on the defined benefit obligation	33,411	(17,205)
Actuarial (loss)/gain arising on the fair value of the plan assets	(11,806)	5,295
<b>Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity</b>	<b>21,605</b>	<b>(11,910)</b>

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

	<b>2019–20</b>	<b>2018–19</b>
	%	%
Pension increase rate	1.9	2.5
Salary increase rate	3.0	3.7
Discount rate	2.3	2.4

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	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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

<b>Change in assumptions at 31 March 2012:</b>	<b>Approximate % increase to employer</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in real discount rate	12%	22,708
0.5% increase in the salary increase rate	2%	3,840
0.5% increase in the pension increase rate	10%	18,532

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 3.7% 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. The CPI assumption is calculated as RPI less 0.9% pa.

## 20 Events after the end of the reporting period

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

## 21 Related-party transactions

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

The Learning Directorate is regarded as a related party. During the year, SQA has had various material transactions with the Directorate (note 16). At the year-end, there were no balances outstanding (2019: £nil). In addition, SQA has had material transactions with other Scottish Government Directorates. At the year-end, there were no balances outstanding (2019: £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 SCQF is a related party as SQA Chief Executive, Fiona Robertson, holds the position of Board member there. SQA levied charges of £nil (2019: £nil) to the SCQF during the year. At the year-end, £ (2019: £nil) remained outstanding. In addition £nil (2019: £nil) of charges were incurred by SQA. At the year-end, £nil were 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	
	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2020 £'000	2019 £'000
<b>Forth Valley College</b> SQA Board Member, Ken Thomson, holds the position of Principal and Chief Executive there	347	326	1	21	6	1
<b>Glasgow Caledonian University</b> SQA Board Member, Wendy Mayne, holds the position of lecturer there	6	7	-	1	-	-
<b>JISC</b> SQA Board Member, Ken Thomson, holds the position of Trustee and Board Member there	-	-	1	-	-	-

**Newbattle Abbey College Trust**

SQA Board Member, Hamish McKay, holds the position of part-time secretary there

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**Scottish Council for Development & Industry**

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

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**Skills Development Scotland**

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

22            14            1            6            21            5

**STUC Training Ltd**

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

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**St John's RC Academy**

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

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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.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006