

# Annual Report and Accounts 2018–19

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# Contents

<b>Welcome</b>	<b>1</b>
<b>A: Performance Report</b>	<b>2</b>
Statement from our Chief Executive	3
SQA's purpose and activities	5
Performance summary	9
<b>Performance analysis</b>	<b>16</b>
Measuring performance	16
Qualifications: overview	19
National Qualifications	19
Understanding Standards	21
Vocational qualifications	22
Digital assessment	23
Communication and engagement	23
SQA's partnerships in training and education	26
Apprenticeships	27
International engagement and co-operation	28
Services	29
Appointees	29
Quality assurance	29
SQA Change Programme	31
Organisational development and change tools	32
Accreditation	33
Equalities	35
SQA as a corporate parent	37
Customer and community engagement	38
Employee engagement	39
SQA's statutory responsibilities	41
Environmental performance	42
Financial model	44
Financial performance	45
<b>B: Accountability Report</b>	<b>48</b>
<b>Corporate governance</b>	<b>48</b>
Directors' Report	48
Statement of the Accountable Officer's responsibilities	49
2018–19 Governance statement	50
<b>Remuneration and Staff Report</b>	<b>60</b>
<b>Parliamentary and Accountability Report</b>	<b>68</b>
<b>Independent auditor's report</b>	<b>69</b>
<b>C: Financial statements</b>	<b>73</b>
Notes to the accounts	77

# Welcome

I am delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2018–19, which provides a review of the organisation as a whole, and of its activities during this period.

Central to these activities is our engagement with the users of our services, from school students and workplace trainees, to schools themselves, teachers, parents and carers, and businesses, training organisations, and professional bodies.

SQA's work aims to achieve our Strategic Goals, which align with Scotland's National Performance Framework. Our aim is therefore to support everyone in realising their potential and achieving their ambitions. In this way we seek to benefit the economy, wider society, and the nation as a whole. Our services exist to play their part in your success, whether you are a learner at school, college, or in the workplace, a parent or carer, a provider of education and training, or an employer who benefits from a skilled and educated workforce.

The Board would like to take this opportunity to thank the many people who contribute to the effectiveness of our work — among them SQA's own staff, our appointees, partners, and other stakeholders. We recognise the vital importance of your support in our successes, and in meeting challenges, and we look forward to continuing our work together in the future.

**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 2018 to March 2019. 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 2018 to March 2019, 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** 2017–18, which ended with the publication of results in August 2018.

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

This has been another year full of challenge and opportunity for SQA, as we work to support people in realising their potential and achieving their ambitions.

We are a presence in the lives of people of all ages and places in society in Scotland. Our qualifications mark out the stages of learners' journeys from education and training into further study and progression through employment. In this way, we believe, we contribute to individual success in life, and also benefit society as a whole.

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 are progressing with revision of National Qualifications, as announced by the Deputy First Minister in September 2016. Revised Highers are part of the 2018–19 exam diet, and the revision of Advanced Highers is in progress. 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 a number of 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 which are already benefitting 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 not only supports the Scottish Government's international agenda for the education sector, but it also 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.

2018 was the Year of Young People, which was an opportunity for us all to celebrate the many successes achieved by young people. We marked this year in various ways, from setting up a new Star Award for Young Person of the Year, to beginning a strong engagement with young people so they can contribute to our current and future development activities. You will find more detail in what follows on these and other activities and initiatives to 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, regulatory, and awarding functions. Our work plays an important role in many sectors of the Scottish economy, and we are always 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, and this income is supplemented by Scottish Government funding that is granted for agreed purposes. We also use our core expertise to generate net positive financial contribution from contracts and international projects which reduces our draw on the public purse.

SQA works 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).

To maintain the quality, flexibility, and relevance of our qualifications, we welcome and are responsive to feedback from all our stakeholders and customers, and we undertake research

into the impact and effectiveness of our qualifications. We also welcome initiatives from businesses, professional bodies, and wider economic sectors who wish to establish new qualifications to support their activities; for example, to certificate and extend the existing skills of their workforce and sector.

SQA also provides statistical reports in relation to 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.

## **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.

Our Advisory Council is established under the Advisory Council (Establishment) (Scotland) Regulations 2002. Members are appointed by Scottish Ministers and represent our various stakeholders. The Council advises SQA on their needs and views in relation to our qualifications and awards. The Advisory Council has no power to compel the SQA to act on its advice, however the SQA Board must provide the Council with a written response setting out the reasons for not acting, and shall provide Scottish Ministers with a copy of the response.

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 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 Scotland's National Performance Framework. These are the nine Strategic Goals we worked towards during 2018–19. Goal 4, emphasising the importance of communication with our stakeholders, is a new addition for this year. 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

Our aim is to maintain, develop, and continually improve 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 2018–19:

Type	Description	Risk Appetite*	Key mitigations
Financial	Income insufficient to cover costs	Minimal	<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	<ul style="list-style-type: none"> <li>◆ Plan for required staff skills and numbers</li> </ul>
	Insufficient appointees	Balanced	<ul style="list-style-type: none"> <li>◆ Close monitoring of market recruitment</li> <li>◆ Development of contingency plans</li> </ul>

	Recruit/retain key staff	Balanced	<ul style="list-style-type: none"> <li>◆ Cyclical review of market supplements to address significant pay differentials with other sectors</li> </ul>
External/Operational	Major incident disrupts operations	Minimal	<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	Mission critical system failure	Cautious	<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>
	External Factors lead to delivery issues	Minimal	<ul style="list-style-type: none"> <li>◆ Review of Quality Assurance systems</li> <li>◆ Stakeholder engagement</li> <li>◆ Clear communications</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 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. The letter also highlights the financial challenges facing the public sector and sets out that the Scottish Government expects SQA to minimise costs and increase income where possible to reduce pressure on the public purse. 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 has always been the very core 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](#) gives details of entries and results for all our qualification types in the 2017–18 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

SQA continued to revise assessment in National Qualifications, responding to the direction provided by the Scottish Government and Assessment and National Qualifications Group in September 2016 to remove assessed units from National 5, Higher, and Advanced Higher courses. The revisions were made in consultation with teachers.

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 continue to work through 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 is 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. There is a huge range of subjects at HNC and HND, from Accounting to Video Production. 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, 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 embarked on a review of Higher National Qualifications — the first major review since 2003. Vocational qualifications need to get people ready for the jobs of today and prepare them for the jobs of tomorrow. We recognise the impact that the digital revolution and the changing economy, and changes in the education landscape, and the learner journey all have on qualifications. We are developing new approaches to HNC/D design under the project title HN Next Generation. This aims to allow stakeholders to co-design solutions for HN delivery that meet the emerging challenges of qualification delivery in the 21st century and to help people thrive in this fast-paced world.

## 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 employability and citizenship that help learners to succeed. 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 construction, hairdressing, and hospitality.

## 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. Our new [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 2018–19 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.

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 meets five or six times a year and holds an annual event for quality managers from the sector.

## **Appointees**

We are enormously grateful to our 15,000 appointees (teachers, lecturers, subject experts, markers, invigilators and other roles) who contributed their time, skills, and expertise to support the development, delivery, and certification of SQA's qualifications in the academic year 2017–18. The contribution made by these education professionals is invaluable to the development, assessment development, and quality assurance of our NQs, HNs, SVQs, and Awards.

## 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.

In 2018 SQA and Skills Development Scotland (SDS) formalised the arrangement under which they had been working collaboratively to explore the future structure of the apprenticeship family.

### SQA apprentices

While we continue to provide the qualifications which support apprenticeships, as an employer we use the Business and Administration Modern Apprenticeship Framework at SCQF Level 6 to deliver our own successful programme, which we call 'Pathways'. Our apprentices have access to in-house assessors and mentors, and benefit from rotation around various parts and business areas of the organisation. Our programme also includes an HNC in Business to equip our young workforce with practical, demonstrable knowledge and skills that give them the confidence to move on to the next stage in their development.

## 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 worldwide 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 improve education, skills, and training for the benefit of learners in those countries. This work specifically fulfils [Strategic Goals 3 and 8](#). In addition, it supports the Scottish Government's international agenda, 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 makes concentrated efforts to reinforce relationships with our customers, as well as being an active participant in our local communities in Scotland, and this embodies the spirit of [Strategic Goals 5 and 6](#).

One example of this work is our annual SQA Star Awards ceremony. This unique event recognises excellence in education and training by celebrating the individuals who take SQA qualifications and the organisations that deliver them.

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. Details of this year's Star Awards and our sponsorships are in the Performance Analysis section.

## 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 Rainbow Network

Equality is at the heart of all we do, and this includes caring for our staff. SQA's Rainbow Network was set up in 2017 with the aid of LGBTI colleagues throughout SQA and the SQA Equality team, in direct alignment with [Strategic Goal 6](#). Its purpose is to promote the inclusion and visibility of the LGBTQI+ community within SQA and beyond, to bolster links with other LGBTQI+ organisations and to help SQA work towards its aspiration to become Scotland's foremost LGBTQI+ employer.

## Planning for the future

Work has continued over the past year on the SQA Change Programme, 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. In this way, we are steadily laying the foundations for 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 Policy and Standards. We have begun to implement significant changes which help to modernise and future-proof our IT and finance systems, which you can read about in more detail in the performance analysis section.

Much of our planning is devoted to ensuring we can meet the qualifications and assessment demands of the future. For example, our Assessment Futures team is researching how we might assess an individual's capacity to adapt to change, and other skills that will be of importance to the jobs of the future. This work is in line with our commitments to [Strategic Goals 2 and 7](#).

## 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 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 to align the organisation's activities with Scotland's National Performance Framework. Here is a link to the [2018–21 Corporate Plan](#).

## 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 Audit 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 Higher and 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.

### **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. Overall, the verification performance of HN and vocational qualifications over the past four sessions remains consistent. In session 2018–19, 3,041 verification activities were completed (for comparison: 2017–18: 3,571), fully meeting national standards in 91.3% of cases (2017–18: 91.4%). Outcomes where national standards were not fully met decreased from 307 in the previous session to 266 this session.

### **Recognition as an employer**

SQA is committed to being a fair, 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 2018–19 includes:

- ◆ the Investors in Young People (IYP) Good Practice Award
- ◆ accreditation as a Scottish Living Wage Employer
- ◆ the Healthy Working Lives Gold Award for the eleventh consecutive year
- ◆ re-accreditation under the Disability Confident Employment Scheme, which supports applications from people with disabilities
- ◆ membership of the Stonewall Scotland Diversity Champion programme
- ◆ the RoSPA Gold Award for health and safety for the fourth consecutive year

SQA is committed to Fair Work and gives due regard to the Fair Work Framework, including the vision — endorsed by the Scottish Government — 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'.

### **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.

The findings from the survey, summarised below, continue to provide solid evidence that our stakeholders have a high regard for SQA, and for our qualifications.

### **SQA's profile**

Across the key groups surveyed in 2018, 92% of respondents were aware of SQA. This figure is broadly in line with that found between 2011 and 2016. Of this percentage, 81% rated SQA's credibility as 'high' (up from 75% in the previous year's survey), and four-fifths felt they had sufficient knowledge about SQA as an organisation (up from two thirds).

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

### **Credibility**

In 2018, the qualifications that respondents perceived as having the highest credibility were (in order) Highers, HNCs/HNDs, National 5s, 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 91% (compared to 92% in the previous survey). The number of respondents who perceived National 5s as being high in credibility has risen from 82% in 2017 to 87% in 2018. However, there has been a reduction in those who perceive National 4s as credible, from 67% in 2017 to 51% in 2018.

The perceived credibility of HNCs/HNDs has fallen slightly since the previous survey, but remains very high at 87% (92% in 2017).

### **SQA values**

Almost nine out of ten respondents in the 2018 survey agreed that they trusted SQA (as in the previous survey), with three-quarters agreeing that SQA is an enabling organisation and 70% perceiving SQA as a progressive organisation (compared to two thirds for both previously). We continue in our endeavour to 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 Oil & Gas, Construction, Health and Social Care, 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

Developing the revised National Qualifications has involved significant activity, including consultation with teachers and professional bodies, to ensure that course content is still adequately assessed following the removal of units and their assessments, and that standards are maintained. The second phase of this three-year process began with the publication of the revised Higher course specifications in April 2018. The following months saw the publication of guidance and support materials to prepare for the school year 2018–19. A similar process was started at Advanced Higher level (33 courses, including Modern Languages as one subject). We continue to revise these courses, which will be delivered in 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 operation.

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 assurance processes at every stage of the process — from the setting of question papers and coursework, to the marking of candidate responses to these, and the 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 over time at a given level. Through this we know the intended level of difficulty of each question or part of an assessment, and the statistical data allows us to assess whether questions performed to the appropriate standard, or were more difficult or easier than intended. The grade boundaries are then adjusted, if required, to ensure consistency of standards 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 134,062 National Qualifications candidates across Scotland on 7 August 2018 (2017 figure for comparison: 136,889). There were 524 unique qualifications with entries in this academic session, 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 2017–18 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, in particular National Progression Awards, which saw a 15% rise in entries.

## **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 more than 3,000 exceptional circumstances requests in August 2018 (2017 figure, for comparison: 3,480).

### **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.

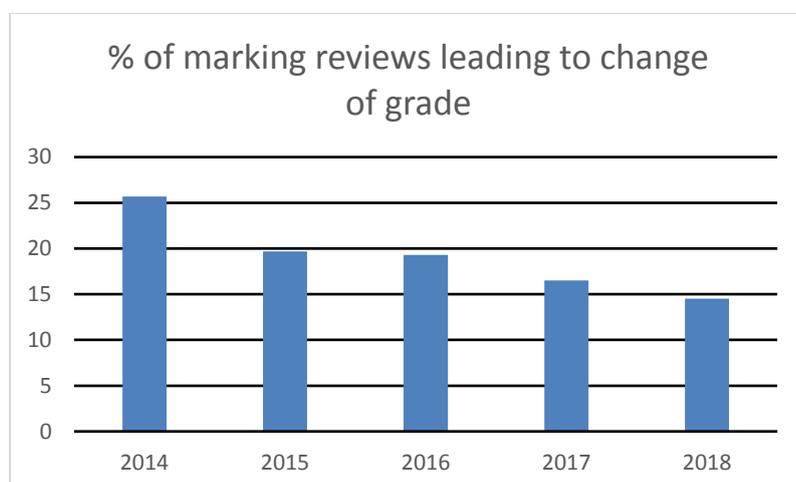
In this fifth year of the post-results service, we have seen that centres are becoming familiar with the process and following the advice provided by ADES and SQA.

There were a total of 13,543 requests for either a clerical check or a marking review of the examination material, down from 14,536 last year. The majority (96.5%) of the requests were for a marking review. A smaller number of requests went through the priority marking review (3.1%) and/or the clerical check (0.4%).

The percentage of marking review requests that resulted in a change of grade has again fallen, to 14.5% this year (this includes both upgrades and downgrades). This continues a

downward trend, from 25.7% in 2014, 19.7% in 2015, 19.3% in 2016, and 16.5% in 2017, as shown in the chart below.

Throughout the 2017–18 session, SQA continued to increase the volume of quality checks that markers' work was subject to before certification — this includes increasing the use of e-marking.



## 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 2018–19 we published candidate evidence and commentaries explaining why specific evidence had achieved certain marks for 98 National Courses — mainly National 5 and Higher, but also including some National 3 and 4 and Advanced Higher courses. We also produced audio presentations and/or webinar videos for all Higher courses. These provide an overview of revised course assessment and complement the information in the revised course specification.

The period 2018–19 was the first year of the new National 5 courses, and brought a lot of fresh candidate evidence. As a result, the Understanding Standards team ran 123 events for 6,545 delegates — almost twice the figure for the previous year — to support teachers and lecturers with these new courses, and with revised requirements for Highers.

In their post-event evaluations, delegates noted that the experience had increased their confidence, provided clarity and new information, and had given them 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.

This table summarises development of new and revision of current qualifications:

Qualification	New course/ group award	Re-validate/ re-accredit	Withdrawn	Unit development/ revision	New/revised support materials
SVQ	16	55	2	-	4
HNC	4	9	6	2	2
HND	5	7	3	5	3
NPA	7	9	2	3	6
PDA	17	2	11	-	2
SfW	-	2	2	1	-

New qualifications include HNDs in Web Development, and Stringed Instrument Making and Repair, new or revised NPAs in Oral Health Care, and Zoo Animal Behaviour and Welfare, new or revised PDAs in areas that included Family Learning and Engagement, Forestry, and Barbering, and nine SVQs in the Food and Drink sector.

Between April 2018 and March 2019 we issued certificates for 157,292 group awards (for example, Higher National Certificates, Higher National Diplomas, and Scottish Vocational Qualifications). Of these, 14,796 were for Regulated Qualifications in England and Wales. (Equivalent figures for 2017–18 were 157,186 certificates, with 15,046 for England and Wales).

The following numbers of qualifications were certificated in the period covered by this report (figures for 2017–18 in brackets):

- ◆ 28,014 SVQs (27,440)
- ◆ 15,474 Higher National Certificates (15,392)
- ◆ 12,642 Higher National Diplomas (12,892)
- ◆ 15,614 NPAs (13,511)
- ◆ 6,145 PDAs (8,165)
- ◆ 9,022 Skills for Work (8,918)
- ◆ 27,012 Awards (23,973)
- ◆ 11,314 National Certificates (11,983)

- ◆ 38,617 National Workplace (32,264)
- ◆ 6,210 Customised Awards (6,210)

## **Customised Awards**

We currently have 405 active Customised Awards (for comparison, 2017–18: 362). 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**

Throughout the period covered by this report, we have been engaging with stakeholders, including current HND students and recent graduates, asking them to consider the strengths and development areas of existing Higher National Qualifications. Our aim is to put future student needs at the heart of designing qualifications.

We plan to continue our engagement with stakeholders as we test prototype solutions across some of Scotland's key strategic sectors throughout 2019 and 2020.

## **Digital assessment**

SQA is committed to using technology to transform assessment of its qualifications. We need to have the software and services to support national use of digital assessments now and into the future. We have re-procured the main core platform used to support delivery of our SOLAR e-assessment service. This cloud-based software platform will support our growth plans for digital assessment across our qualification portfolio in a cost-effective way and is aligned with the Scottish Government's Cloud First Policy.

Increasing the strong links between our digital development services and qualifications teams is an important element underpinning the continued growth of digital assessment. This year has seen further evidence of how effective collaborative working can deliver positive results. More centres are now using our digital services for formative and summative assessment, and more qualifications are assessed using digital-only methods.

## **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 a tailored alerts service, subject-specific blogs, comprehensive details on changes to assessment, and regular development updates through Facebook and Twitter. We have also increased the support we provide to exam candidates through the Alexa virtual assistant. These measures help to ensure that our communications are clear, concise, and confident.

In addition to the activity summarised below, we have introduced our new communication-focused [Strategic Goal 4](#) for 2018–21: to 'ensure communication and engagement between

SQA and our learners, customers and stakeholders is appropriate, clear and timely and tailored to their needs’.

## **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
- ◆ 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

## **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.

## **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 Centre News bulletin is now more targeted and timely for our customers. We have also streamlined course specifications for all Higher subjects, removing duplication and improving clarity. Since their publication, the revised course specifications for Higher English have been downloaded by 2,734 unique users, while the revised course specifications for Higher Mathematics have been downloaded by 1,889 unique users.

In January 2019, we published details of planned high-level changes to documents for Advanced Higher courses. This information led to an 87% increase in views of our NQ changes webpage compared to the previous month, and a 24% rise in the number of NQ subject page views where the subject summaries can be accessed.

## **User testing and feedback analysis**

### **SQA website**

An online survey of 634 SQA website users in March 2019 revealed an ‘overall satisfaction’ rating of more than 89%. The survey revealed that 86.9% of respondents were able to fulfil the purpose of their visit to the website.

Overall, we have improved the search experience for users, by refining our content and reducing the number of pages on our website. More than 37,000 unique users have accessed our new section highlighting and explaining changes to National 5 assessment, and we have provided additional information on national standards in assessment in our Understanding Standards website.

We have made several changes to the SQA website in response to user feedback. For example, in order to differentiate National Qualification Group Award content for our two main audiences, we have divided this into separate ‘teach’ and ‘study’ sections. We have also: moved the qualification structure to the top of each tab, as feedback suggested that this was the most relevant detail; added a National Qualification ‘unit search’ link at the foot of the qualification structure section; and renamed certain terms to make the titles clearer.

### **National Qualifications — feedback from teachers**

User testing revealed that teachers were frustrated by certain aspects of the SQA website. We have addressed these anomalies, and have streamlined the layout of the homepage to focus on teachers’ top tasks.

### **MyAlerts**

We expanded our MyAlerts service to include a text service as well as e-mail. MyAlerts offers subscribers (of whom there are over 12,896) relevant information at a frequency of their choosing.

### **Centre News**

Our weekly *Centre News* is accessed more than 20,000 times a week (previous year: 25,000), by approximately 3,500 subscribers (as for last year), including SQA co-ordinators in centres. *Centre News* gives updates on operational and development news from SQA, and is complemented by subject-specific blogs written by our qualifications managers.

### **Intranet**

This year saw the launch of our new intranet. In the site’s first month, we had 88,000 views by 1,103 members of staff.

## **Clear and Confident Writing workshops**

Since April 2018, 131 colleagues have attended a Clear and Confident Writing workshop, and a further 93 have completed one or more of the four modules available on SQA Academy since their launch in November 2018.

Of the colleagues who attended a Clear and Confident Writing workshop, over 98% would recommend it to others, based on the feedback forms completed.

A survey held in November 2018 showed that 90% of workshop attenders agree that they are using what they learned in the workshops in their everyday work.

Our SQA writing style guide, *Writing for SQA*, has been updated to reflect the approach used in the workshops and to include guidance on our agreed tone of voice.

## **Social media**

SQA's social media channels are an integral part of our communications activity, and our Facebook page (9.7k followers, up from 8.3k last year) and Twitter accounts (25.3k followers, up from 22.4k last year) provide regular updates on developments. Our first post on changes to National 5 course specifications reached 15,032 individuals. Our social media posts on the planned changes to Higher courses have reached over 98,000 individuals.

## **Customer contacts**

Our Customer Service Team received over 153,800 queries (for comparison, 2017–18: over 160,000) from centres and candidates over the year from April 2018 to March 2019:

- ◆ 82,300 telephone calls (72% from candidates, 28% from centres)
- ◆ 59,500 e-mails (54% from candidates, 46% from centres)
- ◆ 12,000 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 2018–19, we received 65 complaints (down from 77 in the previous year): all were resolved; 23 were upheld or partially upheld, and 39 were not upheld.

If complainants are not satisfied with SQA's handling of their complaint, they may be able to refer the matter to the SPSO. In 2018–19, the SPSO did not carry out any investigations on behalf of complainants.

## **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:

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

SQA also works closely with stakeholders across the further education sector. In particular, SQA supports Scotland's family of apprenticeships: SQA qualifications are embedded in the majority of Scotland's Modern Apprenticeships, which means that SQA plays an important role in supporting Foundation Apprenticeships and the wider Developing the Young Workforce policy. In these areas, we work closely with Skills Development Scotland (SDS), and the Scottish Funding Council (SFC), and we are members of their joint Skills Committee.

Collaborating with Colleges Scotland, SQA continuously develops the portfolio of qualifications that are available in the nation's colleges, ensuring that Scotland's skills- and knowledge-based qualifications remain world-class. Similarly, we support the College Development Network's (CDN) innovation and professional development in the college sector.

We also work with the Scottish Training Federation (STF), and value the strong relationships that we have with training providers across Scotland. We also engage with businesses and business organisations in understanding their needs so they can be covered and met by our qualifications and awards. We are proud of our role as the provider of the majority of Scotland's vocational and technical qualifications.

## **Apprenticeships**

In August 2018 SQA issued the first Foundation Apprenticeship certificates. These are jointly certificated with SDS, and we continue to support SDS and centres as delivery of this programme grows. As part of a wider programme of joint work, we have been collaborating with SDS on the design and implementation of a one-year pilot project (2019–20) that will explore approaches to work-based learning at SCQF Levels 4 and 5.

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

Collaborative work with SDS will assess 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.

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 across the apprenticeship family to work-based learning and assessment that support development of skills for the 21st century. As part of this approach we are piloting work-based learning at SCQF levels 4 and 5 in senior phase in a few schools.

## **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 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.

### **Making connections**

SQA hosted study visits in 2018–19 from delegations from the World Bank, the Department for International Development, and ministries of education from a number of countries. We also attended trade missions to the Asian Development Bank, and held an event in Edinburgh with our Chinese partners, the British Council and UK universities as part of the China/UK People to People dialogue.

### **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 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 2018–19.

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 contract to support Capita plc to deliver the key stage 2 marking requirements of the national curriculum assessment (NCA) test operations contract. The contract is with the Department for Education's Standards and Testing Agency (STA).

## 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 2017–18 we appointed or re-appointed over 6,800 (for comparison, 2016–17: 7,207) professionals for the writing, production, quality assurance, and marking of NQ assessments and question papers. In addition, we appointed 6,950 invigilators (2016–17: 7,201). In the same period, we received 1,615 applications (2016–17: 619) for non-marker appointee roles, 703 (2016–17: 199) 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.

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 2018.

## 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 2018 examinations diet for National Courses at National 5, Higher and Advanced Higher remains extremely low. Penalties were applied in 204 cases — 0.041% of entries (498,015). The equivalent figure for 2017 was 183 cases, representing 0.036% of entries (512,145).

## College Quality Focus Group

The College Quality Focus Group allows representatives from each of the college regions to discuss with SQA staff issues that may affect the quality of National and Higher National Qualifications. Discussions are open and are a forum where potential developments and changes can be considered, and where feedback can be gathered and acted on. Outcomes from the past year include plans to improve document control, a workshop on cross-campus verification, and revisions to how verification reports are written so that they better meet the needs of colleges.

## 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.

Session 2017–18 was the first year of the new assessment approach, where units and unit assessment were removed from National 5 courses. Under the new approach, these units became freestanding units at SCQF level 5. The Scottish Government issued guidance to local authorities advising that candidates should only be presented for both course and freestanding units in exceptional circumstances. However, some centres chose to do this, and we observed a significant number of entries for SCQF level 5 freestanding units being made late in the session, which impacted on our ability to quality assure them.

This entry pattern, combined with the outcome of a post-certification review of a selection of these late entry units, led us to make enhancements to the QA approach for verifying our NQs in 2018–19. We introduced a deadline of 28 February 2019 for final changes to

freestanding unit entries at SCQF level 5 (and at level 6, in preparation for next year) to allow adequate time to quality assure these units. We advised that if any changes were made to these unit entries after 28 February 2019 certification may be delayed until November. Also, we asked to submit results for one entry per candidate per subject area by 28 February to confirm that units were being attempted and would be available for verification. We further enhanced the robustness of the QA approach by increasing the volume of random sampling, reducing the notification period we give to centres, and requesting specific candidate evidence in some instances.

## Higher National Qualifications

Higher National Qualifications were verified throughout the academic session that ended in August 2018. We completed a total of 534 verification events (for comparison, 2016–17: 559) for Higher National Units and 441 HN Graded Unit (2016–17: 399) verification events. For the 975 (2016–17: 958) HN verification reports we issued, 124 outcomes (2016–17: 183) did not initially meet national standards, and we provided follow-up activity and support to centres to help them reach compliance and resulting certification.

## Vocational qualifications

The activity for vocational qualification verification in 2017–18 amounted to 2,066 events (for comparison, 2016–17: 1,679). National standards were fully met at 1,924 (2016–17: 1,555) of these events, but 142 events (2016–17: 124) 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 Policy and Standards 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 has been moving through the foundation-laying Phase 1. This will see the replacement of legacy systems with a stable, secure and integrated business platform which improves performance and resilience, and reduces risk to business data.

Our Business Systems team has implemented several key projects in 2018–19, including the back-up capability of our Systems Platform, and the development of data realisation tools that will allow us to manage our data more effectively, and gain more and quicker insights to inform decision making. The success of these paves the way to being ‘digitally ready’ to transform our organisation through efficient, scalable, and enabling approaches.

We are deploying new network infrastructure for internal and external communication, and we are upgrading our online marking system to the cloud-based RM Assessor 3, which will ready us for the future. Risks from systems failure have also been significantly reduced.

### **Business World**

In 2017–18 we moved our financial transactions onto the enterprise resource planning system Business World. In the year covered by this report, we prepared the move of our HR and payroll services to Business World, which took place at the end of March 2019. Appointee management payroll services will follow later in the year. 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 can now begin to realise the benefits of having a fully integrated system. We will be better able to understand the cost of our activities and thus to make more informed business decisions; staff will have a more reliable and integrated digital experience.

Full implementation of the new system means that all staff will be responsible and accountable for their own information held in Business World. A programme of training for all staff is near completion, which will ensure everyone is familiar with the new system and processes.

### **New intranet**

March 2019 saw the launch of our new staff-facing intranet. This was developed in response to user testing of SQA Now, the system which had been running since October 2016. We now have a new homepage and we are developing new employee resource sites. The launch was preceded by a series of popular ‘information cafes’, where staff were able to try out the interface and offer comments and suggestions for improvements.

### **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 November 2018, which again recognises that we have met one of the Scottish Government’s two cyber security requirements. We have held popular staff events specifically aimed at raising awareness of security risks and how to avoid them

## **Organisational development and change tools**

SQA’s Organisational Development (OD) and Change Management team has produced a number of toolkits to support departments and managers in developing their teams and in planning.

Already in regular use, the Change Management Toolkit helps teams communicate the case for change, identify and address concerns, and plan for likely impacts of change. The Organisation Design toolkit, which was developed with business and union colleagues, helps teams to define what they can do now, and the changes they need to make to do it better in the future.

Meanwhile, the induction programme has been redesigned to provide an introduction to SQA's culture, values and activities, and thus help give new starts the knowledge and tools to contribute to achieving our corporate goals.

The new performance review tool MyReview is a feature of our new enterprise resource planning system and focuses on developing staff and realising their potential.

## **HR Shared Service**

The HR Shared Service was launched in February 2018 to provide staff with a central point for all HR advice and guidance enquiries. In January 2019 we ran a survey to track the progress of the HR Shared Service, and this revealed that staff found the service easy to contact, with a good standard of customer service (75% of all issues were concluded within five days). On the other hand, staff noted difficulties with navigating the HR Hub, and too little information on how enquiries were progressing. In response, we released an improved and easier-to-use digital HR Hub in March 2019.

The HR Shared Service now handles over 350 queries every week, has had over 85,000 visits, and has been accessed by every member of staff.

## **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 2018 to March 2019, 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'.

	<b>2017–18</b>	<b>2018–19</b>
<b>Approved awarding bodies</b>	39	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 2018-19:

	2017–18	2018–19
<b>Audits</b>	24	15
<b>Provider monitoring reports</b>	27	23
<b>Provider monitoring visits</b>	53	54

One new organisation, Smart Awards, was approved as an awarding body in 2018–19, and there were enquiries from five organisations seeking information on how to become an approved awarding body.

During 2018–19, one sanction was raised against an awarding body.

## Accreditation of qualifications

At the end of 2018–19, SQA Accreditation had a total of 854 accredited qualifications — 18 more than 2017–18. The breakdown of accredited qualifications is as follows:

- ◆ Scottish Vocational Qualifications (SVQs): 543
- ◆ Regulatory and Licensing qualifications (R&L): 31
- ◆ Other qualifications (such as competence-based qualifications): 280

## National Occupational Standards

SQA Accreditation performs a critical role within the Standards and Framework programme, where its remit is to quality assure National Occupational Standards (NOS), thus ensuring their fitness for purpose for inclusion in Scottish Vocational Qualifications. In 2018–19, SQA Accreditation quality assured 84 sets of NOS, with 74 sets of NOS gaining approval.

## Aesthetic qualifications

In the summer of 2018, SQA Accreditation was approached by one of its approved awarding bodies, which enquired about accreditation of a qualification for dealing with injectables such as Botox. The Scottish Government currently has a working group considering such qualifications for non-clinical staff in the aesthetic sector, and SQA discussed this qualification with Scottish Government officials. SQA Accreditation was subsequently invited to join the working group, and it is likely that accreditation by SQA will become mandatory for qualifications in this sector, and that these qualifications will become a licence to practise.

## 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. 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.

SQA Accreditation supported SDS by delivering a well-received presentation on Workplace Core Skills at an SDS workshop.

## Equalities

SQA demonstrates its commitment to equality of opportunity through our progress in policy development and the way we work, a varied calendar of awareness-raising events for our staff, updates to our qualifications, and in our accreditation work.

### Public body responsibilities

We integrate equality in the development of our policies and activities, in line with our [Equality Outcomes 2017–21](#). During 2018–19, we reviewed SQA’s equality impact assessment practices, and incorporated the needs of care-experienced young people and the Fairer Scotland Duty into the process. The [SQA Equality Mainstreaming Report 2017–19](#) details SQA’s efforts to meet the needs of SQA learners, customers, employees and appointees. In June 2018, we reviewed the membership and remit of our Equality Steering Group, which monitors and record progress against SQA’s equality action plans. SQA is committed to gathering, reporting and publishing employee equality monitoring information, and some 60% of current staff have updated their data. Employment monitoring information is used to inform SQA’s practices and decisions on people with different protected characteristics and to prioritise our activities.

According to our equal pay audit of February 2019, SQA’s gender pay gap is 3.7%, below Scotland’s overall level (for comparison, April 2017: 3.9%).

We have awarded contracts to two supported businesses (defined as mainly employing disabled people): the Scottish Braille Press, and Haven, through whom we recycle old IT equipment.

In April 2018 we published [SQA is a proud corporate parent](#), and June 2018 saw the inaugural meeting of SQA’s Corporate Parenting Steering Group. We invited and received feedback from the Young People’s Champions Board, Who Cares? Scotland and other interested parties on our revised corporate parenting commitments 2018–21 and for our annual corporate parenting report. There is more information about this in a later section: [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 2018](#) 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. As part of a new support service, staff can seek help from one of 24 trained, in-house mental health first aiders.

During the Year of Young People 2018, SQA achieved the Investors in Young People Silver Award, which recognises our commitment to continuous improvement in developing the young workforce.

SQA is a Disability Confident Employer, and established a Disability Network in 2018. A survey conducted during Disability History Month at the end of the year elicited feedback that we are using to support disabled colleagues.

In November, SQA launched its Women's Network, which now has more than 50 members. More than 100 colleagues attended the Network's International Women's Day event on 8 March, which celebrated the careers of women from across the business.

A year on from its inauguration, SQA's Rainbow Network implemented a formal network structure, and assigned specific roles to its members to lead, guide and act as network ambassadors. In April 2018 it published a review of its first year. We invited Stonewall Scotland to lead several staff information sessions on appropriate LGBT terminology and trans awareness.

## **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 2018.

In April 2017, the Scottish Government set up the LGBTI Inclusive Education Working Group, in conjunction with the TIE (Time for Inclusive Education) campaign and other representative organisations. This working group has now reconvened as an implementation group, and is working with SQA and Education Scotland to ensure appropriate inclusion of LGBTI matters in the development of new or adapted course specifications, and relevant guidance, across the curriculum.

SQA has launched a Professional Development Award (PDA) in Advancing Equality and Diversity through Inclusiveness for staff across the education and training sector.

We have also developed a new optional unit specification, in consultation with Stonewall and SQA's Rainbow Network, which covers specialist make-up techniques for trans people, as part of our HND in Make-up Artistry.

In September 2018, we made changes to SQA's Awards Processing System to allow non-binary learners to select their gender identity when registering with one of SQA's centres.

SQA is developing a new range of awards in British Sign Language. The first two awards were available from Autumn 2018, at SCQF levels 3 and 4. Further awards at SCQF levels 5 and 6 will be available from Autumn 2019. Users of British Sign Language can now communicate directly with our Customer Contact Centre using the Contact Scotland BSL Service, which uses a fast and secure connection to an online interpreter via devices that support a webcam.

## **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's Stonewall Workplace Equality Index submission**

The Stonewall Workplace Equality Index (WEI) measures an employer's performance and progress on LGBTI inclusion in the workplace. In the last WEI in 2018, SQA had climbed 133 places, to 212 out of 434 UK companies who took part in the WEI. By opting to use this framework, SQA is demonstrating its commitment to LGBTI equality, to our SQA colleagues, and to our customers.

Some 258 staff responded to Stonewall Scotland's Employee Feedback Survey (21 employees identified as LGBT), in which 90% of SQA LGBT staff, and 94% of non-LGBT staff agreed that the workplace culture in SQA was inclusive of gay men and women.

## **SQA as a corporate parent**

SQA continues to take its corporate parenting duties very seriously, not just to meet our statutory responsibilities, but to effect real change. SQA staff are involved in this at every level, from practical policy change through to the help provided via our Contact Centre, and extensive volunteering and fundraising opportunities.

We provide new and existing staff with corporate parenting training through SQA Academy to raise awareness and understanding of the experiences of looked-after children.

We have a special relationship with Who Cares? Scotland, and joined with them and MCR Pathways to host SQA's fourth Results Day celebration. The Christmas Campaign in 2018 brought together 65 SQA volunteers to handwrite 1800 Christmas cards.

Copies of our *SQA is proud to be a corporate parent* report were inserted into every Who Cares? Scotland *Speak Out* magazine, which is received by 1800 care-experienced young people. Feedback on the report was very positive.

# 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 2018, the individual Pride o' Worth award went to Jonathan Marshall, to recognise the significant contribution he had made to life at his former school, Clydevew Academy in Gourrock, after overcoming significant health challenges. The centre award went to Glasgow Clyde College for its School-College Inclusion Programme.

A new award of Young Person of the Year was set up to mark the Year of Young People 2018. The inaugural award went to Inverclyde Academy pupil Jason McIlroy.

## 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 Partner Sponsor of the 2018 Glasgow Pride Parade for the second year running, and at the Herald Diversity Awards 2018 in October we again sponsored the Diversity in the Third Sector Award, which acknowledges the excellent work taking place in social enterprises to promote diversity.

Lantra Scotland's Land-based and Aquaculture Learner of the Year Awards 2019 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 2019, SQA attended the YouthLink Scotland Awards, as sponsor of the Skills for Life category, which acknowledges the life-changing efforts that are taking place in youth work every day throughout Scotland.

The annual Learning Disability Awards provide an opportunity to celebrate the stories and achievements of people with learning disabilities and those people who support them. SQA sponsored the Awards' new Enterprise category in 2018, and presented the award to Shetland-based social enterprise COPE Ltd.

At the end of May, SQA supported TEDxYouth@Glasgow, a conference designed by and delivered for young people as part of 2018 The Year of Young People, to share and demonstrate new ideas, and provide inspiration and motivation.

As part of our engagement with apprenticeship schemes, we sponsored the Large Employer of the Year award at the 17th Scottish Apprenticeship Awards, presented to Arnold Clark in November 2018. This award recognises the apprenticeship schemes of business with 250 or more employees.

At the 2018 Volunteer Midlothian annual awards ceremony, SQA sponsored and presented the Volunteer Manager of the Year Award to Paula Jackson for her work at Midlothian's Transform Project.

## **Volunteering**

In 2018–19, 329 staff made use of their designated time to volunteer (2017 figure, for comparison: 222) for a wide range of activities that spanned over 40 events (2017: 256), and amounted to a total of 1,493 (2017: 660) volunteering hours.

## **Employee engagement**

To encourage employee engagement and, ultimately, improve performance, SQA makes significant efforts to ensure that staff 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, conducted in early 2017, found that 86% of respondents agreed that they understood how their work contributed to SQA's corporate strategies and goals.

Our Chief Executive presents progress updates and key strategic messages in quarterly 'All Staff Briefings', which were each attended by at least 330 staff in each quarter of this year, and staff are also invited to smaller, more frequent informal meetings where they are encouraged to discuss issues affecting their work.

We also run Staff Information Programmes, which consist of regular presentations and workshops held by staff 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 staff. SQA encourages line managers to facilitate and empower staff, 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 have clear objectives, receive regular performance feedback, and have their development needs addressed. In the 2017 Staff Survey, 75% of staff believed that their line manager supported them in achieving their objectives, and 90% 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 730 unique individuals, while *Social Inform* is viewed by 600.

On a collective level, the HR Team works closely with SQA's two recognised trade unions to develop policy, hear staff concerns and formulate appropriate solutions. An agreement exists with the trade unions, setting out the principles of joint negotiation and consultation between SQA and its staff.

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

## Fair Work Framework

SQA Board Member Grahame Smith is a member of the Fair Work Convention, and SQA has been signed up to its 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. SQA also recognises two trade unions, Unite and Unison, as a mechanism for giving employees a voice. (see also previous section, 'Employee voice')

**opportunity** — Apprenticeship, training, internal secondment and mentoring schemes support staff at all stages of their career.

**security** — SQA is an accredited Scottish Living Wage employer, provides a good pension scheme, and has a transparent pay structure.

**fulfilment** — SQA staff 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 251 in 2018–19 (from 176 in 2017–18). SQA received 327 subject access requests in 2018–19, up from 66 the previous year. All requests for personal information, and 99.2% of FOI requests, were dealt with within the required timescales.

### **GDPR**

SQA complies with the General Data Protection Regulation (GDPR), which came into effect in May 2018. Our Privacy Statement lets candidates, appointees, and others know what we do with their personal data. We continue to check that our systems, as well as those of our suppliers, comply with the GDPR.

### **Information security open days**

Information security open days, organised by SQA's Information Governance and IT Security teams, were held at both SQA sites in March 2019, and were attended by over 170 members of staff. At the events, a series of workshops were set up, each with a theme related to securing data and general cyber safety. Staff were able to try a variety of interactive activities that raised their awareness about confidentiality, managing personal data and the latest internet and e-mail scams. Tips were also given about staying safe on social media, and staff were shown practical methods to check if any of their own personal online accounts had been compromised.

### **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 considerable work undertaken since our plan was agreed in 2015 to develop and strengthen our records management practices. In particular, they praised the training that we have developed and noted these as an example that other public authorities may find helpful.

### **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 2016, SQA received an 'M1' banding, the highest rating available.

In 2018–19, the Procurement Department made net savings of £1.8m (including the savings achieved by using Scottish Government frameworks), as a result of competitive bidding activities, cost avoidance and efficiencies. The equivalent figure for 2017–18 was £2.6m.

Some 74% 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 — and are working hard to take this to three in 2019–20.

SQA promotes fair working practices, and all service contracts that directly rely on staffing pay the real Living Wage — this includes all temporary 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 2018–19, one instance of suspected financial irregularity was identified and investigated in line with SQA's anti-fraud policy and fraud response plan.

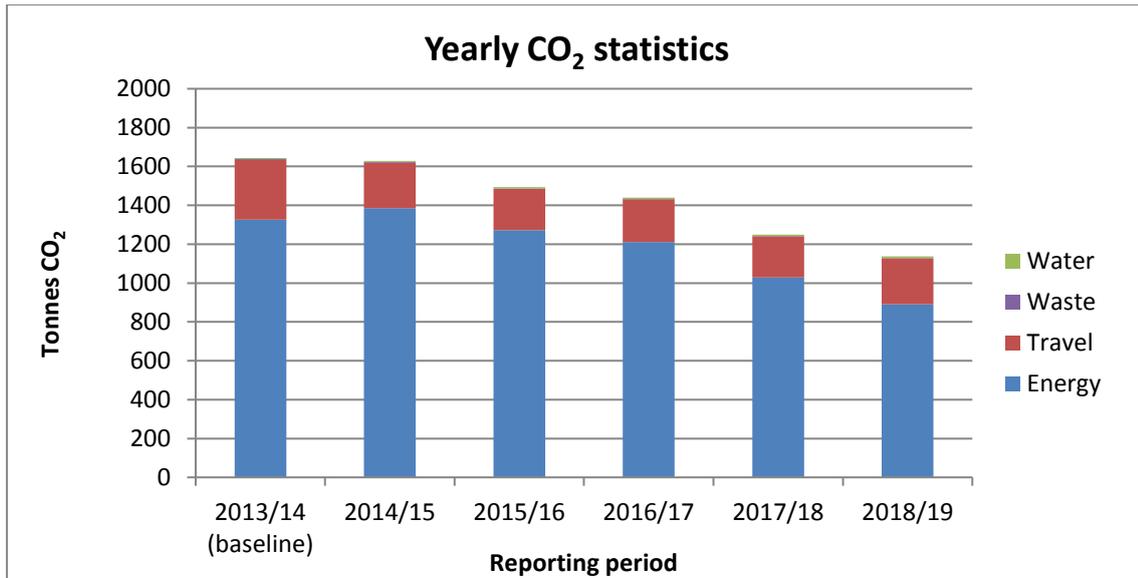
## **Environmental performance**

### **Carbon emissions**

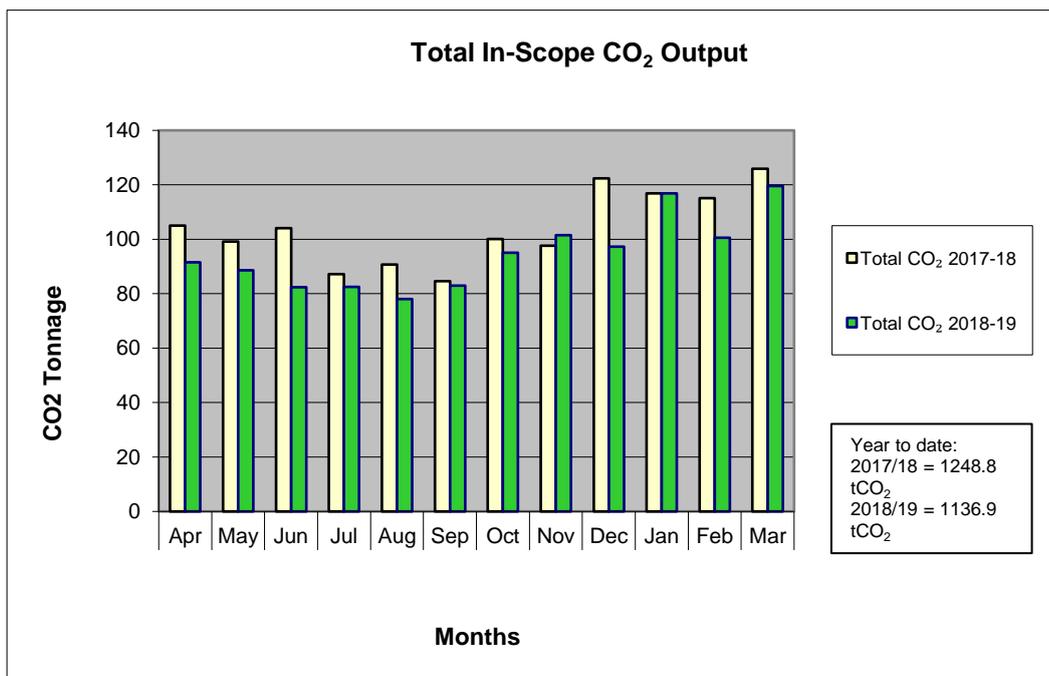
As a responsible business, we seek to minimise our contribution to global warming, and work hard to reduce our carbon emissions. In April 2018, we published the latest review in our Carbon Management Plan, which assesses our progress in reducing emission levels against targets and explains how our carbon management efforts bring savings and other benefits to SQA.

Staff volunteers from both offices took part in a tree-planting event at Royal High School in Edinburgh, where they helped pupils from the school to plant 200 trees in the school grounds. We paired this with investment in an avoided deforestation scheme in the Amazonian forest, and this guaranteed it as a carbon offset of 200 tonnes of CO<sub>2</sub>.

In 2018–19, we once again reduced our carbon emissions, this time by 9% over the previous year's 1,249 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). In our Carbon Management Plan 2015–19, we committed to maintaining our carbon emissions at or below the level of the baseline year 2013–14, or 1,643 tCO<sub>2</sub>e. Accordingly, our 2018–19 figure of 1,137 tCO<sub>2</sub>e is a remarkable 31% reduction below this target level.



This year's total emissions are below last year's levels for 11 of the 12 months.



## Recycling

This past year, SQA has focused its environmental communications and initiatives to staff on reducing waste — particularly single-use plastic. 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 2018–19 show:

Waste	Total (kg) 2018–19	% of all waste	Total (kg) 2017–18	% of all waste
Confidential recycling	62,627	55%	42,989	58%
Dry mixed recycling	15,610	14%	15,770	21%
General waste (non-recycled)	28,474	25%	7,668	10%
Food waste	7,280	6%	7,280	9%

Food waste is sent for anaerobic digestion, and converted into biogas and fertiliser. Most of our other non-recyclable waste serves as refuse derived fuel (RDF), which goes to waste-fuelled power plants. 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. This is done by local social enterprise Haven Recycle, who provide employment to disabled and disadvantaged adults.

## Financial model

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, 2018–19, is the sixth 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 through the provision of 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 is able to reduce its dependency 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 2019 are contained in the attached accounts (see section C), which have been prepared in accordance with the 2018–19 Government Financial Reporting Manual (FRoM).

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 2018–19 had to be closely managed throughout the year in partnership with the Scottish Government. SQA met its target with the operational outturn position being in line with the original budget.

## Performance against Departmental Expenditure Limit (DEL) in 2018–19

Performance	Final DEL £m	Actual drawdown £m	(Under allocation) £m
Resource DEL	30.108	30.108	Nil
Capital DEL	3.858	3.858	Nil
<b>Total DEL</b>	<b>33.966</b>	<b>33.966</b>	<b>Nil</b>
Ring-fenced DEL	1.790	2.035	(0.245)
Annually Managed Expenditure	3.000	11.911	(8.911)
Total	38.756	47.912	(9.156)

The total deficit for 2018–19 was £8.5m, which resulted from total net expenditure of £40.6m less depreciation of £2.0m, together with total grant funding income, excluding capital grants, of £30.1m. The operating deficit of £8.5m includes a £8.1m 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 deficit for pensions in 2018–19 was £11.910m, with the previous year seeing a surplus of £33.627m. Full supporting information and calculations are in note 3 to the accounts.

## Income

SQA's income is generated from charging for the delivery of its products and services. Total income of £50.2m was earned in 2018–19, being entry charges of £42.1m (2017–18 £41.8m) and other income of £8.1m (2017–18 £6.9m).

## **Expenditure**

Operational costs were £90.5m, being staff costs £48.2m (2017–18: £41.6m); other expenditure £40.3m (2017–18: £40.2m); and depreciation £2.0m (2017–18: £1.2m).

The increase in staff costs is attributable partly to an increase in IAS 19 pension costs of £3.4m. The remainder of the increase relates to an increased headcount during the year, coupled with an increase in the costs of wages and salaries from the pay award, in line with Scottish Government pay policy.

Other expenditure increased by £0.077m from 2017–18, due to an increase in IT costs of £0.324m and an increase in bad debt expense, mainly due to an increase of provision of £0.218; this was offset by many other smaller movements totalling £0.465m.

Depreciation charged in year has increased by £0.84m, mainly due to an increase in capital expenditure over the past two years.

## **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the year totalled £1.574m, which was used to purchase IT hardware (£1.518m), and furniture and fittings (£0.056m).

## **Intangible assets**

Expenditure on capitalised intangible assets during the year totalled £2.326m. This was used to purchase IT software (£0.044m), licenses (£0.170m), and to develop assets under construction (£2.112m), which mainly consist of new system implementations.

## **Auditors**

The accounts, for the year ended 31 March 2019, 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 he/she ought to have taken as a Director to make himself/herself 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 2018–19 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 95% in 2018–19 (83% 2017–18).

**Fiona Robertson**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**21 August 2019**

# 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

Raymond O'Hare\*

Grahame Smith\*\*

Roger Stewart

Dr Paul Thomson\*

Dr Ken Thomson\*\*

Carole Wilkinson\*

\* Until 30 June 2018

\*\* From 1 July 2018

##### Executive Management Team

Jean Blair

Maidie Cahill

Lee Downie

Linda Ellison

John McMorris

Dr Gill Stewart

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

#### Conflict of interest procedures

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

## **Personal data-related incidents**

Section 5.3.9 of the Government Financial Reporting Manual (FReM) requires that organisations report on personal data-related incidents. In 2018–19, one incident was reported to the ICO. The ICO was satisfied with the action taken by SQA and no further action was taken.

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

Under Section 16 of the Education (Scotland) Act 1996, the Scottish Ministers have directed SQA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of SQA and of its income and expenditure, changes in taxpayers' equity, 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 the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ◆ make judgements and estimates on a reasonable basis
- ◆ state whether applicable accounting standards as set out in the Government FReM have been followed, and disclose and explain any material departures in the accounts
- ◆ prepare the accounts on a going-concern basis

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

## **2018–19 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 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 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 2019 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 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.

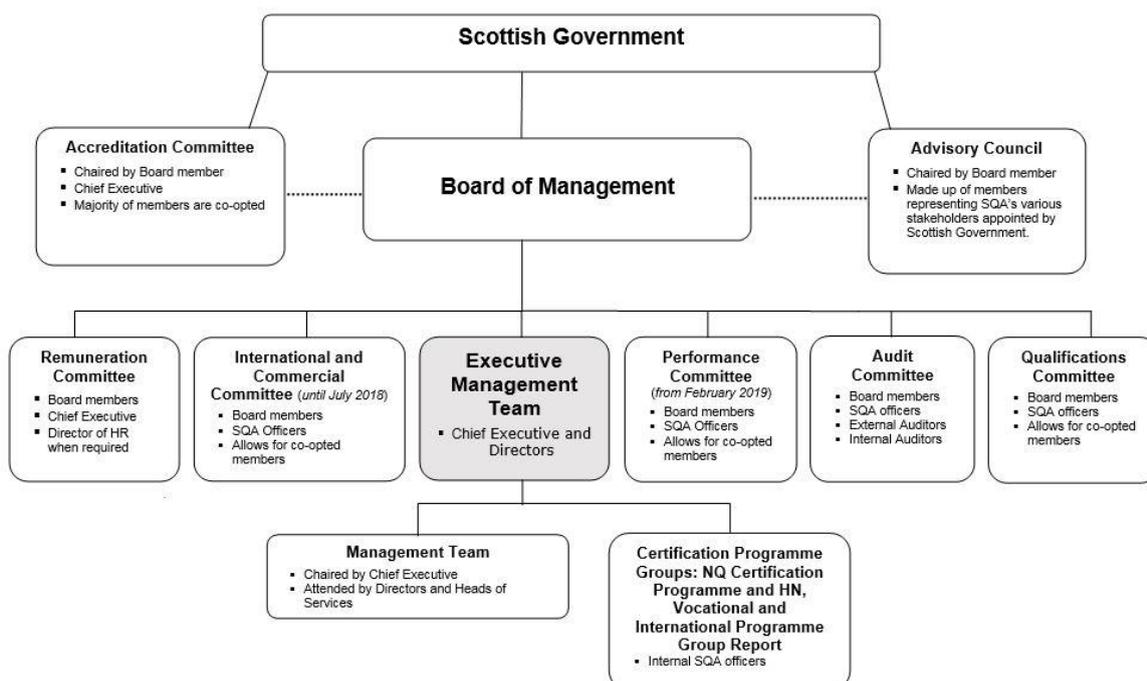
## Board of Management

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

The Board is supported by a group of committees with specific remits who work together to deliver the objectives and policies of SQA: the SQA Accreditation Committee, the SQA Qualifications Committee, the SQA International and Commercial Committee, the SQA Audit Committee, and the SQA Remuneration Committee. The SQA Board established the Performance Committee in February 2019, replacing the International and Commercial 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 following diagram outlines the current governance structure, which supports the achievement of SQA's objectives.

SQA Committee Structure



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, Sonia Kordiak, Margaret Lannon, Eric Lumsden, Helen Martin, Gordon McGuinness, 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, March, June and September. [AC members](#) come from training and industry; 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), Angela Newton, Tracy Bryant-Shaw, Paul Campbell, Lorna Trainer, Janet Brown, Elaine Hutton, Jane Handley, Grahame Smith, Jenny Rees, and George Jamieson. Further information regarding the AC members and the [minutes](#) of AC meetings are publicly available on the SQA Accreditation website.

The specific duties of the Remuneration Committee are to: set the annual performance plan for the Chief Executive and members of the EMT for each calendar year in advance; review the performance of the Chief Executive and members of the SMT against their performance plan at the end of each calendar year; recommend the annual pay award and any bonus payment for the Chief Executive and members of the EMT; advise the Board on the remuneration and terms and conditions of any new Chief Executive; and advise the Board, where appropriate, on the severance payments payable to the Chief Executive and members of the EMT. The Remuneration Committee membership can be found in the Remuneration and Staff Report.

The International and Commercial Committee was a working group based on SQA's corporate objectives to: support the Scottish Government's international agenda, develop and monitor progress in new and existing markets and income streams, promote the profile of Scottish Education and training internationally, and provide strategic advice to the Board and senior officers on SQA's international and commercial activity. The International and Commercial Committee comprised Raymond O'Hare (member and convenor until end of June 2018), Eleanor Craig (convenor from July 2018), and Hamish McKay.

A new Performance Committee was established in February 2019. Its remit 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 Board also reviews the Corporate Risk Register at every meeting. 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 members Rob Wallen (until September 2018), and Kenny McKay.

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

Board of Management	7
Audit	4
International	2
Performance	1
Qualifications	5
Advisory Council	4
Accreditation	4
Remuneration	1

Each committee provides a report 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 2018–21, and together with the 2018–19 Audit Plan, was approved by our Audit Committee in February 2018. The plan is subject to ongoing and annual review to ensure that it reflects changes in business requirements and takes account of any changes

in SQA's risk profile. The 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 6 internal audits in 2018–19.

Specifically, these were: Accreditation, Change Programme, Data sharing, Disaster recovery, Financial Systems health check, and Procurement and tendering, in addition to follow-up reviews to assess the extent to which management has implemented agreed audit actions.

The IT disaster recovery (DR) review in particular highlighted a number of improvement actions to the maintenance and testing of the DR plans to support an effective response to an IT disaster. These agreed actions are under way.

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

The in-house auditors conducted four audits relating to ISO 9001 (Quality Management) processes: International Consultancy/UK contract sales, Commercial Contract Delivery, Performance evaluation and improvement (Contract Services area) and Performance evaluation and improvement (Accreditation), and one relating to ISO 27001 (Information Security) IT controls in the area of Question Paper Physical and Human Resource Security, Lowden.

## **Internal controls**

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

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

## **Planning and performance framework**

The SQA Corporate Plan is developed by the SQA Board and the 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 Audit Committee through Quarterly Performance Reports. The Audit Committee reviews progress, and reports any matters of interest to the Board of Management for their consideration. From February 2019, the Performance Committee took responsibility for oversight of performance against objectives and referral of matters of interest to the Board.

## **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 subsequently allocated based on this approach. This ensures that resources are focused on the correct business projects. The governance for the programme of projects rests with the EMT. This is also reported to Audit Committee and Board as part of the Quarterly Reporting Pack. From February 2019, the Performance Committee took responsibility for this oversight of performance and referral of matters of interest to the Board.

## **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 are subject to continued review by the Board, Audit Committee, and our internal auditors. The framework is based on the Office of Government Commerce's Management of Risk (MoR) approach.

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 2018–19 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. 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.

An incident occurred in September 2018 when a core service became unavailable and a server disk failure was identified as the root cause. An incident management team was set up and the incident was resolved with minimal impact to our stakeholders. However, replacement hardware proved difficult to procure, which highlighted a risk if another similar incident were to occur. In order to mitigate this risk a cross-directorate contingency group was set up and a number of contingency plans have been drafted.

In October 2018 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 including 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. Policies are assigned to policy holders and are reviewed and updated regularly.

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

SQA has a dedicated Procurement Team, which advises SQA on procurement contract arrangements and provides guidance in terms of compliance with emerging changes to procurement rules from the European Union and 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 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 in the event that financial irregularity is suspected. The 2017-18 Annual Report highlighted two instances of suspected financial irregularity. These remain under investigation and suitable mitigating actions have been put in place. During 2018–19 there was one instance of procurement fraud. This resulted from a phishing e-mail purporting to be from a genuine SQA supplier. The total loss was £2,190, and as a result further staff training was carried out in the procurement team.

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

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. SQA has a reporting structure for information security incidents. During 2018–19, one incident was reported to the ICO. The ICO was satisfied with the action taken by SQA and no further action was taken.

During 2017–18, we had one reported personal data incident, which involved the issue of bulk e-mails which were sent to all recipients. This was investigated by the ICO, and the decision (to recommend no further action) was announced during the period of this report.

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

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

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

SQA is committed to ensuring that arrangements are in place that will lead to an economical, efficient, and effective use of the organisation's resources. The efficiency agenda forms part of SQA's annual planning and budgeting process, and efficiency savings that are measurable and sustainable are identified, budgeted, and monitored throughout the financial year. The programme reached the annual target of £650k at the end of Q4. 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**

As part of our Change Programme, a Voluntary Early Release (VER) scheme was announced in February 2019 to assist in the business transformation process. The closing date for applications was 8 March.

As at 31 March 2019, the VER process was still in progress. The final impact on headcount and finance will be reported in the 2019–20 Annual Report and Accounts.

## **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.

## **Accountable officer**

The Accountable Officer from 1 April 2018 to 21 July 2019 was Janet Brown, Chief Executive of the Scottish Qualifications Authority. I was appointed Accountable Officer with effect from 22 July 2019.

As Accountable Officer at the date of signing this report, I am personally accountable to the Scottish Parliament for the proper administration of public funds and for ensuring that resources are used efficiently, economically and effectively. Following my appointment I

received an appropriate handover from the former Chief Executive to enable me to sign these accounts.

**Fiona Robertson**  
**Accountable Officer and Chief Executive**  
**Scottish Qualifications Authority**  
**21 August 2019**

# 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 2018–19, employer's contributions of £5,382,213 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay, and 17.2% for STSS pensionable pay.

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

## Strathclyde Pension Fund contribution rates 2018–19

<b>Pay tranche</b>	<b>Contribution rate paid on that tranche</b>
Up to and including £21,300	5.50%
Above £21,300 and up to £26,100	7.25%
Above £26,100 and up to £35,700	8.50%
Above £35,700 and up to £47,600	9.50%
Above £47,600	12.00%

## Scottish Teachers Superannuation Scheme contribution rates 2018–19

Full-time equivalent pensionable pay	Contribution rate
Up to and including £27,047	7.2%
£27,048–£36,410	8.7%
£36,411–£43,172	9.7%
£43,173–£57,216	10.4%
£57,217–£78,022	11.5%
£78,023 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 2018–19 were:

Ms Carole Wilkinson (SQA Board Member and Convenor of the Remuneration Committee) \*

Mr David Middleton (SQA Chair and Member of the Remuneration Committee — later became Convenor) \*\*

Mr Roger Stewart (SQA Board Member and Member of the Remuneration Committee)

Mrs Anna Davis (SQA Board Member and Member of the Remuneration Committee) \*\*\*

Dr Janet Brown (SQA Chief Executive and Officer of the Remuneration Committee)

Ms Maidie Cahill (SQA Director and Officer of the Remuneration Committee)

\* Term of appointment ended on 30.06.2018

\*\* Term of appointment as Convenor commenced on 01.07.2018

\*\*\* Term of appointment commenced on 01.07.2018

## 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.

	2018–19				2017–18			
	Salaries and other payments	Benefits in kind	Pension accrued in year	Total	Salaries and other payments	Benefits in kind	Pension accrued in year	Total
	£'000	£	£'000	£'000	£'000	£	£'000	£'000
<b>Chair</b>								
Graham Houston *	–	–	–	–	5-10	–	–	5-10
David Middleton	25–30	400 <sup>1</sup>	–	25–30	10–15	100 <sup>1</sup>	–	10–15
<b>Chief Executive</b>								
Dr Janet Brown	125-130	–	48	175–180	125–130	–	51	180–185
<b>Non-Executive Board Members</b>								
Eleanor Craig	0–5	800 <sup>1</sup>	–	5–10	0–5	1200 <sup>1</sup>	–	5–10
Anna Davis **	0–5	200 <sup>1</sup>	–	0–5	–	–	–	–
Seán Hagney	0–5	700 <sup>1</sup>	–	5–10	0–5	600 <sup>1</sup>	–	5–10
Jane Handley	0–5	700 <sup>1</sup>	–	5–10	0–5	300 <sup>1</sup>	–	5–10
Dr Wendy Mayne	0–5	100 <sup>1</sup>	–	0–5	0–5	200 <sup>1</sup>	–	0–5
Hamish McKay	0–5	200 <sup>1</sup>	–	5–10	0–5	400 <sup>1</sup>	–	5–10
Raymond O'Hare ***	0–5	300 <sup>1</sup>	–	0–5	0–5	300 <sup>1</sup>	–	5–10
Grahame Smith **	0–5	–	–	0–5	–	–	–	–
Roger Stewart	0–5	500 <sup>1</sup>	–	5–10	0–5	900 <sup>1</sup>	–	5–10
Dr Ken Thomson **	0–5	–	–	0–5	–	–	–	–
Dr Paul Thomson ***	0–5	200 <sup>1</sup>	–	0–5	0–5	600 <sup>1</sup>	–	5–10
Carole Wilkinson ***	0–5	100 <sup>1</sup>	–	0–5	0–5	200 <sup>1</sup>	–	0–5
<b>Directors</b>								
Jean Blair	90-95	–	37	125–130	85–90	–	63	150–155
Maidie Cahill	90–95	–	53	140–145	90–95	–	37	125–130
Stuart Davidson ****	–	–	–	–	10–15	–	4	15–20
Lee Downie	100-105	–	29	130–135	65–70	–	20	85–90
Linda Ellison	65–70	–	–	65–70	65–70	–	–	65–70
John McMorris	90–95	–	33	125–130	90–95	–	41	130–135
Dr Gill Stewart	100–105	–	77	175–180	95–100	–	86	180–185
Band of highest paid director's total remuneration	125–130				125–130			
Median total remuneration	31,055				28,317			
Ratio	4.11				4.5			
Staff remuneration range	17,047 – 125–130				16,550 – 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 £869,000 (2018: £826,000)

\* Term of appointment ended on 31.08.2017

\*\* From 1 July 2018

\*\*\* Until 30 June 2018

\*\*\*\* S Davidson left SQA 19.05.2017. His full year equivalent salary was £85–90k

There were no bonuses paid in 2018–19.

Benefits in kind are:

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

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

	<b>Real increase in pension</b>	<b>Real increase in lump sum</b>	<b>Total accrued pension at 31 March 2019</b>	<b>Total accrued lump sum at 31 March 2019</b>	<b>Cash equivalent transfer value at 31 March 2018</b>	<b>Cash equivalent transfer value at 31 March 2019</b>	<b>Real increase in cash equivalent transfer value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Chief Executive</b>							
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
	<b>Real increase in pension</b>	<b>Real increase in lump sum</b>	<b>Total accrued pension at 31 March 2018</b>	<b>Total accrued lump sum at 31 March 2018</b>	<b>Cash equivalent transfer value at 31 March 2017</b>	<b>Cash equivalent transfer value at 31 March 2018</b>	<b>Real increase in cash equivalent transfer value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Chief Executive</b>							
Dr Janet Brown	2.5–5	0–2.5	40–45	55–60	746	782	36
<b>Directors</b>							
Jean Blair	2.5–5	2.5–5	30–35	55–60	491	550	59
Maidie Cahill	0–2.5	0–2.5	30–35	45–50	585	643	58
Stuart Davidson	0–2.5	0–2.5	5–10	–	73	78	5
Lee Downie	0–2.5	0–2.5	0–5	–	–	14	14
John McMorris	0–2.5	0–2.5	15–20	5–10	176	202	26
Dr Gill Stewart	2.5–5	5–7.5	40–45	80–85	698	790	92

The Chief Executive and all of 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	2018–19	2017–18
	Number of staff	Number of staff
Chief Executive	1	1
Director	6	6
Head of Service	35	33

### Staff costs comprise:

	Executive Board Members	Non-Executive Members	Permanently employed staff	Others	2018–19 Total	2017–18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	679	74	29,531	1,859	32,143	29,799
Social security costs	86	2	2,816	-	2,904	2,670
Other pension costs	116	-	13,000	-	13,116	9,176
Severance and compensation	-	-	25	-	25	7
<b>Sub-total</b>	881	76	45,372	1,859	48,188	41,652
Less recoveries in respect of outward secondments	-	-	(20)	-	(20)	(59)
<b>Total net costs</b>	881	76	45,352	1,859	48,168	41,593

### Average number of persons employed

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

	Permanent Staff	Others	2018–19 Total	2017–18 Total
Awarding and related activities	812	122	934	895
Accreditation	21	-	21	19
Total	833	122	955	914

### Staff composition

Grade	2019			2018		
	Male	Female	Total	Male	Female	Total
Chief Executive	-	1	1	-	1	1
Directors	2	4	6	2	4	6
Non-Executive Board Members	6	4	10	6	4	10
Senior employees	20	14	34	21	12	33
Other	344	588	932	340	581	921
Total headcount	372	611	983	369	602	971

## **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 2018–19 our sickness absence increased slightly by 0.2% from 4.2% in 2017–18 to 4.4%. 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 have been consistently below this benchmark. For the rolling 12 months (April 2018 to March 2019) the staff turnover average was 7.3%, down 0.6% 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 2018–19, 11.7% of staff within SQA were on flexible working contracts compared with 12.68% at the end of 2017-18. We also started tracking a proportion of the jobs we advertise with our 'happy to talk flexible' caption — during 2018-19 21.15% of jobs advertised included this caption. So, although the proportion of staff benefiting from flexible working arrangements has seen a small reduction, as illustrated above, we are increasingly offering flexible working as an option when recruiting. 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 recognition in September 2017. 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 the development and progression of disabled staff
- ◆ 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

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

A learning and development policy is also in place which sets out how SQA will provide development for all employees to support them in delivering their operational objectives and 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 February 2019 was 3.7% (ie average female salary was 96.3% of average male salary). This is lower than Scotland's overall gender pay gap of 6.6%. The organisation published its latest [Equality Mainstreaming Report](#) in April 2019, which is available on the SQA website.

SQA is also developing a talent management strategy, which will incorporate a workforce planning model and succession planning.

### **Trade unions**

We recognise the importance of good industrial relations and effective communication with our staff. SQA has an established relationship with our two recognised trade unions: Unison and Unite. Our main vehicle for negotiation, consultation and communication with the unions is the Joint Negotiating and Consultative Committee (JNCC), whose members are representatives from both unions, members of the HR team, and the Director of Corporate Services. The committee is chaired by the Head of HR and meets on a monthly basis. Through this mechanism all matters of mutual interest are raised and worked through. This includes industrial relations, HR policy and its implementation, health and safety, equalities and any other elements of Fair Work. JNCC delegates some matters to working groups and also receives guests who engage on that forum with the unions and management. The Chief Executive features at meetings on an annual basis.

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 6

Full-time equivalent employee number 6

#### Percentage of time spent on facility time

Percentage of time	Number of employees
--------------------	---------------------

0%	-
----	---

1%–50%	6
--------	---

51%–99%	-
---------	---

100%	-
------	---

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

Total cost of facility time	£38,481
-----------------------------	---------

Total pay bill	£40,300 million
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Percentage of total pay bill spent on facility time	0.1%
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#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	14.76%
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### Exit packages

There were two exit packages during 2018–19.

Cost band	2019		Total number of exit packages by cost band	Cost of exit packages (£000)	2018	
	Number of compulsory redundancies	Number of other departures agreed			Total number of exit packages by cost band	Cost of exit packages (£000)
<£10,000	0	1	1	2	1	7
>£10,000–£25,000	0	1	1	23	0	0
Total	0	2	2	25	1	7

# Parliamentary and Accountability Report

## Regularity of expenditure

There were no losses and special payments incurred by SQA in the year 2018–19.

## Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £50.2m in 2018–19 (2017–18 £48.7m).

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

<b>Income</b>	<b>2018–19</b>	<b>2017–18</b>
	<b>£'000</b>	<b>£'000</b>
Entry charges*	42,114	41,801
Other income**	8,070	6,927
<b>Total fees</b>	<b>50,184</b>	<b>48,728</b>

\*Entry charge fees are levied for candidate entries made through our award processing system. These are mainly in relation to National Qualifications, Vocational Qualifications and Higher National Qualifications.

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

## Remote contingent liabilities

There were no contingent liabilities, other than those disclosed in note 18, at 31 March 2019 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 accounts of the Scottish Qualifications Authority for the year ended 31 March 2019 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 2018/19 Government Financial Reporting Manual (the 2018/19 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 2019 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 2018/19 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 three 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. 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 accounts**

The Accountable Officer is responsible for the other information in the annual 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 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 Education (Scotland) Act 1996.

## **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

21 August 2019

# C: Accounts 2018–19

## Statement of comprehensive net expenditure

for the year ended 31 March 2019

	Note	2018–19 £'000	2017–18 £'000
<b>Expenditure</b>			
Staff costs		48,168	41,593
Depreciation and amortisation charges	8(ii)	2,035	1,196
Other expenditures	4	40,300	40,223
		<hr/>	<hr/>
		90,503	83,012
<b>Income</b>			
Entry charges	5	42,114	41,801
Other income	6	8,070	6,927
		<hr/>	<hr/>
		50,184	48,728
<b>Net expenditure</b>			
		(40,319)	(34,284)
Interest payable	7	(345)	(1,029)
		<hr/>	<hr/>
<b>Net expenditure after interest</b>			
		(40,664)	(35,313)
<b>Other comprehensive net expenditure :</b>			
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	3	(11,910)	33,627
		<hr/>	<hr/>
<b>Total comprehensive net expenditure for the year</b>			
		(52,574)	(1,686)

The notes on pages 77–102 form part of these accounts.

## Statement of financial position

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8(i)	3,640	2,978
Intangible assets	9	4,404	3,201
Trade and other receivables	12	188	-
Financial assets	11	112	113
<b>Total non-current assets</b>		<b>8,344</b>	<b>6,292</b>
<b>Current assets</b>			
Trade and other receivables	12	24,067	24,246
Cash and cash equivalents	13	2,828	3,312
<b>Total current assets</b>		<b>26,895</b>	<b>27,558</b>
<b>Total assets</b>		<b>35,239</b>	<b>33,850</b>
<b>Current liabilities</b>			
Trade and other payables	14	(8,562)	(10,106)
<b>Total current liabilities</b>		<b>(8,562)</b>	<b>(10,106)</b>
<b>Non-current assets plus net current assets</b>		<b>26,677</b>	<b>23,744</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	15	(462)	(445)
Defined benefit liability	3	(27,944)	(7,998)
<b>Total non-current liabilities</b>		<b>(28,406)</b>	<b>(8,443)</b>
<b>Assets less liabilities</b>		<b>(1,729)</b>	<b>15,301</b>
<b>Taxpayers' equity</b>			
Revaluation reserves		66	67
General reserve		(1,795)	15,234
<b>Total taxpayers' equity</b>		<b>(1,729)</b>	<b>15,301</b>

The accounts were approved by the Board of Management and were signed on 21 August 2019 on its behalf by:

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

The notes on pages 77–102 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2019

	Note	2018–19 £'000	2017–18 £'000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(40,664)	(35,313)
<b>Adjustments for non-cash items</b>			
Depreciation and amortisation	8(ii)	1,829	1,196
(Gain)/Loss on non-current assets		206	236
Notional Optima rent		1,590	1,653
<b>Movements in working capital</b>			
Decrease/(Increase) in trade and other receivables		(9)	574
Increase/(Decrease) in trade and other payables		(1,544)	310
<b>Movements in provisions and long-term liabilities</b>			
Increase of provisions		27	44
Decrease in defined benefit liability cost		8,053	5,289
<b>Net cash outflow from operating activities</b>		<u>(30,512)</u>	<u>(26,011)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8(i)	(1,574)	(795)
Purchase of intangible assets	9	(2,326)	(1,522)
Sale of financial assets		-	253
Decrease in financial assets	11(i)	(1)	-
<b>Net cash outflow from investing activities</b>		<u>(3,901)</u>	<u>(2,064)</u>
<b>Cash flows from financing activities</b>			
Additional funding from Scottish Government	16	23,416	20,365
Government funding	16	6,655	6,186
Scottish Government capital funding	16	3,858	2,325
<b>Net financing</b>		<u>33,929</u>	<u>28,876</u>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	13	(484)	801
<b>Cash and cash equivalents at the beginning of the period</b>	13	3,312	2,511
<b>Cash and cash equivalents at the end of the period</b>		<u>2,828</u>	<u>3,312</u>

The notes on pages 77–102 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2019

	Note	Revaluation reserves £'000	General reserve £'000	Total reserves £'000
<b>Balance at 31 March 2017</b>		72	(13,638)	(13,566)
<b>Changes in taxpayers' equity for 2017–18</b>				
Net (loss) on revaluation of investments	11(i)	(5)	-	(5)
Actuarial gain/(loss)	3	-	33,627	33,627
Unfunded benefits paid	15	-	29	29
Net expenditure after interest		-	(35,313)	(35,313)
Total recognised income and expense for 2017–18		(5)	(1,657)	(1,662)
Scottish Government funding	16	-	30,529	30,529
<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)	3	-	(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)

The notes on pages 77–102 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 2018–19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies set out in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2018–19 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

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

### 1.2 Going concern

The Board of SQA has no reason to believe that the department's future sponsorship and future ministerial approval will not be forthcoming or will only provide a reduced support to SQA. 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 the above 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 3 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. While the majority of these contracts are with other government organisations, SQA's exposure to credit risk is increased due to the value of some of these contracts and the fact they are with overseas customers.

## **1.11 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 3).

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 2019, 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.

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

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

IFRS 16 Leases — specifies how leases are recognised, measured, and disclosed. The standard will require the lessee to recognise the assets and liabilities for all leases with a term greater than 12 months. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 2019.

The Directors expect that the adoption of IFRS 16 will have a material impact on the financial statements of SQA in future periods.

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

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

### **Awarding and related activities**

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

### **Accreditation activities**

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

	<b>Awarding and related activities £'000</b>	<b>Accreditation £'000</b>	<b>Total £'000</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>
<b>2017–18</b>			
Staff costs	40,701	892	41,593
Depreciation	1,196	-	1,196
Other expenditures	40,065	158	40,223
<b>Total expenditure</b>	<b>81,962</b>	<b>1,050</b>	<b>83,012</b>
Entry charges	41,801	-	41,801
Other income	6,927	-	6,927
Scottish Government funding	29,479	1,050	30,529
	78,207	1,050	79,257
Funding credited to reserves	(29,479)	(1,050)	(30,529)
<b>Total income</b>	<b>48,728</b>	<b>-</b>	<b>48,728</b>
<b>Net expenditure</b>	<b>(33,234)</b>	<b>(1,050)</b>	<b>(34,284)</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 Pension costs

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

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

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £5,382,000 (2018: £4,871,000), consisting of £5,312,000 (2018: £4,793,000) to the LGPS Scheme and £70,000 (2018: £78,000) to the STSS Scheme. Included within other payables (note 14) are outstanding contributions of £606,000 (2018: £554,000) due to the LGPS Scheme and £9,000 (2018: £10,000) due to the STSS Scheme at 31 March 2018. In 2019–20 total contributions to LGPS are expected to be £5,261,000.

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 2012. 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 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

(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 from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.
- (iv) At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers' contribution rate.
- (v) (We would suggest that employers use the portion of employer contributions they have paid to calculate their participation. The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2018 were £417.5 million [see note 3 in the scheme accounts]. Contributions collected in the year to 31 March 2019 will be published in October 2019.)

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 both LGPS and STSS of the employer's contribution rates for each scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 level of 19.3% of pay until 31 March 2019. The STSS has set rates at 17.2% for 2018–19.

The following information relates to the Strathclyde LGPS.

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

	<b>2018–19</b>	<b>2017–18</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	10,603	9,053
Past service cost	2,392	-
Interest on obligation	4,723	4,960
Expected return on plan assets	(4,404)	(3,960)
	<u>13,314</u>	<u>10,053</u>

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

Staff costs	12,995	9,053
Interest payable	319	1,000
	<u>13,314</u>	<u>10,053</u>

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

	<b>2018–19</b>	<b>2017–18</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(202,657)	(168,865)
Fair value of employer assets	175,008	161,156
	<u>(27,649)</u>	<u>(7,709)</u>
Net (under) funding in funded plans	(27,649)	(7,709)
Present value of unfunded obligations	(295)	(289)
	<u>(27,944)</u>	<u>(7,998)</u>
<b>Net (liability)</b>	<b>(27,944)</b>	<b>(7,998)</b>

Amounts in the statement of financial position:

Defined benefit liability	(27,944)	(7,998)
	<u>(27,944)</u>	<u>(7,998)</u>

**Net (liability)**

	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Movement in present value of defined benefit obligation		
Opening defined benefit obligation	169,154	187,102
Current service cost	10,603	9,053
Past service cost	2,392	-
Interest cost	4,723	4,960
Actuarial loss from change in demographic assumptions	-	225
Actuarial loss from change in financial assumptions	17,195	(10,025)
Other experience	10	(20,732)
Contributions by members	1,794	1,606
Benefits paid	(2,919)	(3,035)
	<u>202,952</u>	<u>169,154</u>
<b>Closing defined benefit obligation</b>	<b>202,952</b>	<b>169,154</b>

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
Movement in fair value of plan assets		
Opening fair value of plan assets	161,156	150,766
Contributions by employer	5,261	4,748
Interest income on plan assets	4,404	3,960
Contributions by members	1,794	1,606
Expected return on plan assets	5,295	3,095
Contributions in respect of unfunded benefits	17	16
Benefits paid	(2,919)	(3,035)
<b>Closing fair value of plan assets</b>	<b>175,008</b>	<b>161,156</b>

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

	<b>31 March 2019</b>				<b>31 March 2018</b>			
	<b>Quoted prices in active markets £'000</b>	<b>Prices not quoted in active markets £'000</b>	<b>Total £'000</b>	<b>%</b>	<b>Quoted prices in active markets £'000</b>	<b>Prices not quoted in active markets £'000</b>	<b>Total £'000</b>	<b>%</b>
Equity securities	40,371	106	40,477	23	37,175	98	37,273	23
Debt securities	5,491	-	5,491	3	5,057	-	5,057	3
Private equity	-	20,913	20,913	12	-	19,257	19,257	12
Real estate	-	15,845	15,845	9	-	14,591	14,591	9
Investment funds and unit trusts	57,445	17,141	74,586	43	52,899	15,784	68,683	43
Derivatives	4	-	4	-	3	-	3	-
Cash and cash equivalents	9,009	8,683	17,692	10	8,296	7,996	16,292	10
<b>Total</b>	<b>112,320</b>	<b>62,688</b>	<b>175,008</b>	<b>100</b>	<b>103,430</b>	<b>57,726</b>	<b>161,156</b>	<b>100</b>

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

	<b>2018-19 £'000</b>	<b>2017-18 £'000</b>
Actuarial gain/(loss) arising on the defined benefit obligation	(17,205)	30,532
Actuarial (loss)/gain arising on the fair value of the plan assets	5,295	3,095
<b>Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity</b>	<b>(11,910)</b>	<b>33,627</b>

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

	<b>2018–19</b>	<b>2017–18</b>
	%	%
Pension increase rate	2.5	2.4
Salary increase rate	3.7	3.6
Discount rate	2.4	2.7

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 2019:</b>	<b>Approximate % increase to employer</b>	<b>Approximate monetary amount (£000)</b>
0.5% decrease in real discount rate	12%	24,084
0.5% increase in the salary increase rate	2%	4,422
0.5% increase in the pension increase rate	9%	19,152

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 21.8 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 1.0% pa.

## 4 Other expenditures

	2018–19	2017–18
	£'000	£'000
Appointee fees	14,846	13,497
IT costs	4,738	3,802
Property rent and service	3,351	-
Property expenses	3,076	5,513
Business development specialists' fees and expenses	3,069	3,164
Appointee expenses and related costs	2,733	3,176
Miscellaneous staff costs	997	650
Staff travel	472	823
Staff training	285	351
Staff subsistence	278	436
Catering for internal and examination procedures meetings	39	56
Staff related costs	2,071	2,316
Postage and telephone	1,489	1,791
PR, marketing and publications	1,265	1,446
Assessment stationery and certificates	1,237	1,908
Appointee release compensation	1,186	1,289
Equipment and supplies	624	605
Question paper production and printing	457	679
Miscellaneous	155	1,033
Board and committee expenses	3	4
	<u>40,300</u>	<u>40,223</u>

Included within Property expenses is a notional charge of £1,590,000 (2018: £1,653,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £47,210 (2018: £46,280) relating to external audit fees.

Included within Other expenditure is Property rent and service of £3,351,000 (2018 £nil). Previous years' charges were recorded within property expenses.

	<b>2018–19</b>	<b>2017–18</b>
	<b>£'000</b>	<b>£'000</b>
<b>5 Entry charges</b>		
National Qualifications:		
National Courses and Units	31,288	30,935
Post-results Services	346	340
	<hr/>	<hr/>
	31,634	31,275
Higher National Qualifications	5,917	5,638
Scottish Vocational Qualifications	4,563	4,888
	<hr/>	<hr/>
	42,114	41,801

## 6 Other income

Commercial testing services	6,458	5,428
Customised award charges	547	438
Consultancy, secondments and research	542	565
Replacement certificate charges	285	283
Royalty income	137	148
Miscellaneous income	55	29
Sale of publications	19	11
Commercial events	17	20
Other interest income	7	1
Income from investments for unfunded pensions	3	4
	<hr/>	<hr/>
	8,070	6,927

Included within Other Income is £nil (2018: £253,000) relating to the sale of investments.

## 7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(26)	(29)
Pension provision cost (note 3)	(319)	(1,000)
	<hr/>	<hr/>
	(345)	(1,029)

## 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 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>

	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 2017	5,810	3,922	94	505	37	10,368
Additions	-	517	38	58	182	795
Reclassifications	-	-	-	-	-	-
Disposals	-	-	(35)	(11)	-	(46)
<b>At 31 March 2018</b>	<b>5,810</b>	<b>4,439</b>	<b>97</b>	<b>552</b>	<b>219</b>	<b>11,117</b>
<b>Depreciation</b>						
At 1 April 2017	3,280	3,743	81	498	37	7,639
Charged in year	388	126	9	6	17	546
Reclassifications	-	-	-	-	-	-
Disposals	-	-	(35)	(11)	-	(46)
<b>At 31 March 2018</b>	<b>3,668</b>	<b>3,869</b>	<b>55</b>	<b>493</b>	<b>54</b>	<b>8,139</b>
<b>Net book value</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>At 31 March 2017</b>	<b>2,530</b>	<b>179</b>	<b>13</b>	<b>7</b>	<b>-</b>	<b>2,729</b>
<b>Asset financing:</b>						
Owned	2,142	570	42	59	165	2,978
Finance lease	-	-	-	-	-	-
<b>Net book value 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>

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

(ii) Depreciation and amortisation charges

	<b>Note</b>	<b>2018–19 £'000</b>	<b>2017–18 £'000</b>
Depreciation charge for the year	8(i)	891	546
Amortisation and impairment charge for the year	9	1,144	650
<b>Total charge for the year</b>		<b>2,035</b>	<b>1,196</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 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
<b>Cost or valuation</b>					
At 1 April 2017	203	1,363	8,568	1,960	12,094
Additions	-	-	330	1,192	1,522
Reclassifications	-	-	1,702	(1,702)	-
Impairments	-	-	-	(214)	(214)
Disposals	-	(60)	-	-	(60)
<b>At 31 March 2018</b>	<b>203</b>	<b>1,303</b>	<b>10,600</b>	<b>1,236</b>	<b>13,342</b>
<b>Amortisation</b>					
At 1 April 2017	203	1,326	8,000	-	9,529
Charged in year	-	15	635	-	650
Disposals	-	(38)	-	-	(38)
<b>At 31 March 2018</b>	<b>203</b>	<b>1,303</b>	<b>8,635</b>	<b>-</b>	<b>10,141</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>1,965</b>	<b>1,236</b>	<b>3,201</b>
<b>At 31 March 2017</b>	<b>-</b>	<b>37</b>	<b>568</b>	<b>1,960</b>	<b>2,565</b>
Externally generated	-	-	1,965	1,236	3,201
	-	-	1,965	1,236	3,201

## 10 Financial instruments

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

## 11 Financial assets

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Investments for unfunded pensions	11(i)	112	113
<b>Current assets</b>			
Investments for unfunded pensions	11(i)	-	-
		112	113

### (i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
<b>Market value at 1 April 2017</b>	245	126	371
Additions	-	-	-
Disposals	(127)	(126)	(253)
Revaluation	(5)	-	(5)
<b>Market value at 31 March 2018</b>	113	-	113
Additions	-	-	-
Disposals	-	-	-
Revaluation	(1)	-	(1)
<b>Market value at 31 March 2019</b>	112	-	112
Market value of investments maturing:			
Within 1 year	-	-	-
Outwith 1 year	112	-	112
<b>Market value at 31 March 2019</b>	112	-	112

## 12 Trade and other receivables

	31 March 2019 £'000	31 March 2018 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	4,012	4,332
Other receivables	58	59
Prepayments and accrued income	19,997	19,855
	<hr/> 24,067	<hr/> 24,246
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	188	-
	<hr/> 188	<hr/> -

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

Other central government bodies	74	24
Local authorities	25	270
NHS body	1	3
	<hr/> 100	<hr/> 297

Included within trade receivables is a bad debt provision of £153,000 (31 March 2018: £85,000). During the year, £60,000 of bad debt was written off (2018: £51,000).

Included within other receivables are loans to staff amounting to £48,000 (31 March 2018: £50,000).

## 13 Cash and cash equivalents

<b>Balance at 1 April 2018</b>	3,312	2,511
Net change in cash and cash equivalent balances	(484)	801
<b>Balance at 31 March 2019</b>	<hr/> 2,828	<hr/> 3,312

The following cash balances were held at 31 March 2019:

Government banking service	24	3,039
Commercial banks and cash in hand	2,804	273
	<hr/> 2,828	<hr/> 3,312

## 14 Trade and other payables

	31 March 2019 £'000	31 March 2018 £'000
<b>Amounts falling due within one year:</b>		
VAT	16	30
Other taxation and social security	834	767
Trade payables	40	158
Other payables	697	642
Accruals and deferred income	6,975	8,509
	8,562	10,106

## 15 Provisions for liabilities and charges

SQA unfunded pensions	462	445
	462	445

### (i) SQA unfunded pensions

	£'000
<b>Balance at 1 April 2017</b>	430
Provisions not required written back	5
Provisions utilised in the year	(19)
Unwinding of discount	29
<b>Balance at 31 March 2018</b>	445
Provisions not required written back	-
Provisions utilised in the year	(9)
Unwinding of discount	26
<b>Balance at 31 March 2019</b>	462

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

## 16 Government funding

	2018–19 £'000	2017–18 £'000
Scottish Government accreditation	1,025	1,050
Scottish Government development	5,630	5,136
	<hr/>	<hr/>
	6,655	6,186
Grant-in-aid	23,416	20,365
Capital funding	3,858	2,325
	<hr/>	<hr/>
	33,929	28,876

## 17 Commitments under leases

### Operating leases

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

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

	31 March 2019 £'000	31 March 2018 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,580	1,581
Later than one year but not later than five years	667	2,247
Later than five years	-	-
	<hr/>	<hr/>
	2,247	3,828

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 2019 £'000</b>	<b>31 March 2018 £'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	12,007	13,050
	17,222	18,265

In addition, SQA signed a 2-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**

The three employment-related matters were resolved in 2018–19 and included in the exit packages in the Staff Report.

The valuation of defined benefit and unfunded liabilities at 31 March 2019, as disclosed in Note 3, does not include an allowance for a potential 'past service cost' in light of the Lloyds judgement on Guaranteed Minimum Pension (GMP) equalisation. The ruling requires pension schemes, such as LGPS, to equalise the effect of unequal GMPs accrued between May 1990 and April 1997 by virtue of them having been paid to scheme members at different ages (65 for men, 60 for women). In acknowledging that no definitive method for equalisation has been set, and given actuarial advice that the trigger for recognition of the past service cost did not exist in the LGPS at 31 March 2019, the directors are unable to reliably quantify an associated contingent liability.

There were no other known contingent liabilities at 31 March 2019 (2018: £nil).

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

In 2018-19 a Voluntary Early Release scheme (VER) was announced.

As at 31 March 2019, the VER process was still in progress. The final impact on headcount and finance will be reported in the 2019–20 Annual Report and Accounts.

There is no impact in the 2018–19 Financial Statements.

## **20 Related-party transactions**

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

The Learning Directorate is regarded as a related party. During the year, SQA has had various material transactions with the Directorate (note 16). At the year-end, there were no balances outstanding (2018: £nil). In addition, SQA has had material transactions with other Scottish Government Directorates. At the year-end, there were no balances outstanding (2018: £nil).

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

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2019 £'000	2018 £'000
<b>Forth Valley College</b> SQA Board Member, Ken Thomson, holds the position of Principal and Chief Executive there	326	-	21	-	1	-
<b>Glasgow Caledonian University</b> SQA Board Member, Wendy Mayne, holds the position of lecturer there	7	6	1	5	-	-
<b>Institute of Directors</b> Former SQA Board Member, Raymond O'Hare, is a member there	-	-	20	11	(12)	-
<b>Jordanhill School</b> Former SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School	55	55	6	-	-	1
<b>Newbattle Abbey College Trust</b> SQA Board Member, Hamish McKay, holds the position of Part-time Secretary there	8	4	-	-	-	-
<b>NHS Education for Scotland</b> Former SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	52	8	-	-	1	3
<b>Scottish Police Authority</b> Former SQA Chairman, Graham Houston, is a Board Member there	-	57	-	-	-	-
<b>Skills Development Scotland</b> SQA Board Member, Grahame Smith, holds the position of Non-Executive Director there	14	-	6	-	5	-

**Stirling Council**

Former SQA Chairman,  
Graham Houston, is a  
Councillor with Stirling  
Council

-	480	-	17	-	4
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**St John's RC Academy**

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

69	43	3	-	-	-
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SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish Ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF is a related party as SQA Chief Executive, Dr Janet Brown, holds the position of Board member there. SQA levied charges of £nil (2018: £nil) to the SCQF during the year. At the year-end, £nil (2018: £nil) remained outstanding. In addition £nil (2018: £3,000) of charges were incurred by SQA. At the year-end, £nil were outstanding.

Apart from the above, none of the Board members or key managerial staff of SQA has undertaken any material transactions with SQA during the year.



**SCOTTISH QUALIFICATIONS AUTHORITY**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of Section 16 of the Education Scotland Act 1996, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

A handwritten signature in cursive script, appearing to read 'Christine Eakin', written in dark ink.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006