



Annual Report and Accounts 2011–12

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Chairman and Chief Executive's welcome

We are delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2011–12, highlighting another successful year for the organisation. Key drivers to this success have been partnership, engagement, and consultation — all of which have helped us deliver our many commitments to users and stakeholders, and to the people and economy of Scotland.

Underpinning these commitments is our support for the Scottish Government's strategies to generate growth in Scotland's economy at a time of global economic challenge, and to promote Scotland as a great place to live, work, study, and do business. Crucial to these strategies is our continued development of qualifications and services that benefit learners and employers by providing the breadth and depth of knowledge and skills essential to economic growth and productivity, and which also empower learners to progress through the lifelong learning system.

One major ongoing commitment has been to the implementation of Curriculum for Excellence through the provision of high quality, senior phase qualifications and by transforming the way delivery of those qualifications is supported. The extensive engagement and response to consultation by the sector have been impressive and this support in the development of the new qualifications has been greatly appreciated.

Partnership and engagement also provided support for other major developments. Working with Scottish Government colleagues and Education Scotland, SQA delivered the first numeracy survey of the Scottish Survey of Literacy and Numeracy — and the first to involve every authority in Scotland. We worked with partners and centres to develop new quality assurance models for schools and colleges, and announced the introduction of a new range of results services to replace the National Qualifications (NQ) Appeals System from 2014. SQA Accreditation developed a set of Regulatory Principles and a streamlined accreditation process, both of which will be introduced from April 2012.

At the same time, SQA continued to drive forward its contract, consultancy and awarding activities in the rest of the UK and internationally that provided new income sources and surpluses which were reinvested in our comprehensive portfolio of products and services. Additionally, our international activities also supported the international engagement agendas of the Scottish Government and other agencies and institutions in the 'Scottish family'.

Rising to the challenge of public funding constraints, SQA continued to seek innovative and efficient ways of working. Good practices in portfolio management have been embedded; new shared services arrangements have been put in place; and our Midlothian operations moved to a new site at Shawfair Business Park with facilities that are designed for our current and future needs.

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

Graham Houston
Chairman
Scottish Qualifications Authority
Date

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

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1 Introducing SQA

SQA is the national body in Scotland for the development, accreditation, validation, assessment and certification of qualifications (other than degrees and some professional qualifications). Its main functions are set out in the Education (Scotland) Act 1996. SQA is a non-departmental public body, sponsored by the Scottish Government's Learning Directorate.

The core purpose of SQA's awarding body function is to set and maintain standards in education and training through the qualifications and assessment it provides that are delivered in schools, in colleges, and in workplace learning.

SQA's accreditation function sets and maintains standards for awarding bodies and accredited qualifications, such as Scottish Vocational Qualifications, and regulates the accredited provision to ensure that standards are maintained.

SQA qualifications

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

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

SQA qualifications must:

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

There are SQA qualifications for everyone:

- ◆ students in schools and colleges
- ◆ trainees and apprentices
- ◆ people who already have qualifications, and those who don't
- ◆ people who are in employment, and those who aren't

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

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

SQA Accreditation

SQA also has a responsibility, through its accreditation function, to set and maintain standards for awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications.

You can read more about qualifications developments and SQA's work in accreditation in 2011–12 in the Management Commentary.

2 SQA's operating environment

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

In these conditions, it is ever more important that the qualifications and services SQA delivers are aligned to the Scottish Government's purpose of supporting sustainable economic growth. It is also imperative that SQA seeks every opportunity to maximise efficiency, effectiveness and value for money in developing and delivering those services.

SQA recognises that there will continue to be challenges, and has begun preparing for them. The challenges are coming from reduced public sector funding, demographic movement, and changes to qualification entry income as a result of increasing flexibility of qualification choice through Curriculum for Excellence. The twin imperatives of pursuing income and market growth to reduce SQA's reliance on public funds, and reducing expenditure, will increasingly stretch the organisation. To maintain its commitment to providing a high quality qualifications service for Scotland in this context, SQA is enhancing its capacity to respond to the needs of learners, employers, business, industry, the economy, and society.

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

The organisation continues to strengthen its commercial and international activities to reduce dependency on the public purse and to generate surpluses to support the development and delivery of its portfolio of qualifications.

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

3 How SQA operates

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

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

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

4 SQA's goals for 2011–12

SQA's Corporate Plan 2011–14 sets SQA's strategic direction for the next three years. It covers both SQA's accreditation and awarding functions. It links the organisation's strategic goals to the Scottish Government's National Outcomes.

The strategic goals were also driven by the SQA Board of Management's assessment of the environment in which SQA operates, taking account of SQA's recent progress. You can read more about SQA's response to the drivers in its operating environment in the Management Commentary for 2011–12.

The strategic drivers that were identified when developing the Corporate Plan 2011–14 include:

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

For 2011–14, SQA has eight strategic goals:

- Goal 1: Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy.
- Goal 2: Be regarded as a leader in assessment and quality enhancement of learning, in Scotland, and recognised worldwide.
- Goal 3: Enhance the role of qualifications and services in recognising the skills of individuals across the education and training system.
- Goal 4: Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement.
- Goal 5: Subject to demand and statutory requirement, accredit and assure quality of qualifications delivered in Scotland, other than those conferred by higher education institutions.
- Goal 6: Ensure high quality, continually improving, efficient and responsive service delivery.
- Goal 7: Continue to develop SQA as a leading public body.
- Goal 8: Develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment.

5 Management commentary

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.

Qualifications development: Curriculum for Excellence

SQA is one of the partners in Curriculum for Excellence, with the Scottish Government, Education Scotland, the Association of Directors of Education Scotland (ADES), schools and colleges. The Chief Executive of SQA is a member of the Curriculum for Excellence Management Board, and SQA leads in developing and implementing qualifications for Curriculum for Excellence.

In June 2009, the Scottish Government announced changes to Scotland's National Qualifications. The next generation of qualifications is to be introduced from Session 2013–14. These qualifications are being designed to reflect the values, purposes and principles of Curriculum for Excellence and to foster skills for learning, skills for life and skills for work.

The new qualifications will be at levels 4 and 5 in the Scottish Credit and Qualifications Framework (SCQF). They will be known as National 4 and National 5, and will replace Standard Grade General and Credit and Intermediate 1 and 2 qualifications. Access, Higher and Advanced Higher qualifications will also be revised.

Access qualifications being developed to support Curriculum for Excellence will also be called Nationals.

- ◆ Access 1 will become National 1 (SCQF level 1)
- ◆ Access 2 will become National 2 (SCQF level 2)
- ◆ Access 3 will become National 3 (SCQF level 3)

The development of these new qualifications will ensure that there is good progression from the experiences and outcomes into the new qualifications.

Literacy and Numeracy Units are also being developed at SCQF levels 3, 4 and 5. These Units are available on a free-standing basis, and have also been embedded into National 3 and 4 English and Mathematics Courses and the National 5 Lifeskills Mathematics Course.

SQA is developing 232 National Courses and 20 Awards at many levels and across many subjects. During 2011–12 it published:

- ◆ National 4 and National 5 draft Course Rationale and Summaries
- ◆ National 4 and National 5 draft Course Specifications
- ◆ Higher draft Course Rationale and Summaries
- ◆ Higher draft Course Specifications
- ◆ National 4 and National 5 draft Unit Specifications
- ◆ Access 2 and Access 3 draft Course Rationales and Summaries
- ◆ Access 2 and Access 3 draft Course Specifications
- ◆ National 5 draft Course Assessment Specifications
- ◆ Higher draft Unit Specifications

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- ◆ Access 2 and Access 3 draft Unit Specifications
- ◆ National 4 and National 5 draft Course and Unit Support Notes
- ◆ Higher draft Course Assessment Specifications
- ◆ Higher draft Course and Unit Support Notes
- ◆ Advanced Higher draft Course Rationale and Summaries

In an unprecedented level of engagement, SQA sought and received feedback through many channels, for example:

- ◆ the Have Your Say facility on its website
- ◆ formally established groups such as the Curriculum Area Review Groups (CARGs) and Qualifications Design Teams (QDTs)
- ◆ correspondence from customers and stakeholders
- ◆ targeted engagement activities, for example with classroom teachers, local authorities, professional teaching associations and further and higher education institutions

Feedback from the Have Your Say web facility has been collated and presented to the CARGs and QDTs. It was then discussed as part of the development process, at both curriculum area and subject level. At the end of March 2012, there had been nearly 600,000 visits to the subject pages on the website, and more than 3,400 comments relating to the published documents had been received.

Feedback from CARGs, QDTs and the website was also considered by the Review of Courses Co-ordination Groups that oversee the work of the SQA Curriculum for Excellence development team and its quality assurance and validation processes. Each stage of the qualifications development process informs the next, and SQA continues to work closely with the CARGs and QDTs to explore issues, develop thinking and test proposals on an ongoing basis. Since the start of the development, over 440 meetings of the CARGs and QDTs have taken place, involving 169 CARG members and 630 QDT members. SQA has attended over 700 meetings, hosted 15 events, and carried out targeted engagement with over 5,000 practitioners.

SQA has also worked closely with key stakeholders to develop a model of quality assurance for internal assessment. The model supports the ethos of Curriculum for Excellence by strengthening SQA's partnership approach with its stakeholders and will underpin and be critical to the successful implementation of the new National Qualifications. More information on development of the new quality assurance model is reported in relation to Strategic Goal 2 below.

To continue to support practitioners with the implementation of the new qualifications, SQA and Education Scotland worked together to host eight curriculum area events in Stirling in December 2011 to update practitioners on the latest developments. Over 1,200 practitioners attended these events. SQA's [Curriculum for Excellence Liaison Team](#) is continuing to support regional and local events.

During 2011–12, SQA met all its published deadlines on time and to the required quality standards. Feedback has been reflected in the production of the final documents, which will be published on its website by 30 April 2012. A considerable amount of work was carried out by the CARGs, the QDTs and Subject Working Groups to ensure that there is an appropriate level of demand at each level and smooth progression between levels.

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Course aims, skills, knowledge and understanding requirements, mandatory content, Unit Outcomes and Assessment Standards have all been reviewed, as appropriate, at all levels in response to feedback. This has resulted in amendments, edits and clarification throughout all the documents.

Work has begun to develop the new Advanced Higher qualifications for introduction in 2015–16.

Wider qualifications development

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

During 2011–12, SQA worked with colleges across Scotland to develop NCs and NPAs both as specialist single-centre and as specialist collaborative awards. In all, 36 colleges have been involved in these developments. SQA has also worked with Scotland's Colleges to support delivery of the qualifications as part of this development programme, now in its final year.

At the end of March 2012, 10 specialist single-centre or collaborative NCs and 19 NPAs were in development. A further two 'consortium-devised' NCs and five NPAs were in development.

In total, by the end of March 2012, 79 NCs and 191 NPAs were available to centres.

In addition, SQA has developed a range of other new qualifications to meet needs within Scotland and outwith Scotland. SQA has also reviewed and revised a number of qualifications used in Scotland to ensure that they continue to meet needs.

2011 Certification

One of SQA's primary responsibilities is the certification of National Qualifications for candidates in schools and colleges across Scotland. SQA has to meet the key performance measures, agreed with the Scottish Government to demonstrate this has been achieved successfully. To achieve this, SQA undertakes a year-round cycle of assessment design, recruitment of exam teams, markers and other appointees, quality assurance of internal assessment, coursework and delivery of examinations leading to main NQ certification in August. This is followed by the appeals process

Throughout the year, SQA also quality assures and certifies its wider portfolio of Higher National and Scottish Vocational Qualifications.

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

SQA met all the agreed 2011–12 performance targets for NQ certification. A total of 159,744 certificates were issued for delivery on 4 August 2011. Candidates were also given the opportunity to receive their results by e-mail and text. Although,

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unfortunately, text results were issued ahead of schedule (on the afternoon of 3 August) this neither advantaged nor disadvantaged any candidates. SQA was able to quickly reassure candidates that these results were accurate, and both SQA and Skills Development Scotland opened their advice lines early to provide candidates with support. An independent review was commissioned by SQA to investigate the reasons for the early release, and an agreed action plan is being implemented.

SQA provided a telephone-based support line for Scotland's learners from 4–6 August 2011 to provide advice and deal with queries from candidates and parents following the issue of National Qualifications results. It worked closely with Skills Development Scotland to ensure that the support and advice offered to candidates were consistent.

The telephone lines opened on 3 August at 3pm (due to early release of text results) and closed at 4pm on Saturday 6 August. A total of 3,337 calls were received over the four day period, and a 99% service level was achieved.

SQA continued to certificate Higher National and vocational qualifications three times each week. In 2011–12, 172,631 award and unit certificates were sent to candidates and centres in Scotland, across the UK and throughout the world.

E-marking

A project was established to make further progress in e-marking with the development for implementation of an enhanced e-marking product and services. The main focus of this phase of the project was to identify any necessary changes to business processes and systems. This was undertaken via a series of workshops, which included SQA appointees.

The project met all key milestones in achieving planned development and testing timelines. This puts SQA in position to implement the e-marking system and associated business processes for the 2012 examinations.

Smartphone apps

Building on the success of SQA's first mobile app, which launched in 2010, MyExams was improved to deliver new functionality for candidates to allow them to add notes to exam entries. This made the app simpler to use. These changes were positively received with 63,468 downloads of the tool in 2011–12. The app received recognition as a winner of a Drum Award for the Digital Industries (DADI), for best Public Sector Website or Campaign.

A second app, MyStudyPlan, was developed and launched in April 2011. This app allows candidates to create their own personal study plans on iPod Touch and iPhone. It lets users add in their own subjects, prioritise how much time they want to spend on each subject, and schedule the amount of time they want to study. The app was downloaded 38,723 times during 2011–12 and received positive reviews and feedback.

The apps enhance SQA's candidate provision while providing close links to MySQA and candidate support information. This ensures a cohesive, innovative offering for candidates.

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

Quality assurance

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

Following review and evaluation of the first year of the new approach to quality assurance of Higher National and vocational qualifications, enhancements were made to the model. In addition to the existing groups of centres implementing the new approach (any centre offering Ofqual-regulated qualifications, NHS Education Scotland (NES) centres, and all Middle East centres), 10 of Scotland's colleges joined the implementation of the model on a pilot basis.

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

The new model represents a change in approach, with a clear emphasis on working in partnership with schools and colleges. One of the most significant changes will be the way quality assurance activity is resourced, with a departure from the recruitment of, and responsibilities associated with, the current External Verifier role. There will continue to be a core team appointed by SQA supported by teams of subject specialists who have been nominated by their local authority and/or sector. Holders of this nominee role will not only undertake quality assurance activities for SQA, but will also provide a potential source of expertise to share national standards with other practitioners in their sector. A key objective of this approach is to build confidence in and ensure the credibility of the new qualifications. It will also inform a more risk-based, intelligence-led approach in the future.

SQA Academy

SQA Academy is an online learning management system that provides support for all those who contribute to SQA assessment, particularly SQA appointees, and hosts specific activities such as the annual Scottish Survey of Literacy and Numeracy.

In 2011–12 online Professional Development Workshops (PDWs) were introduced to SQA Academy in three subjects, including Higher Mathematics. The online PDWs provided engaging online tasks, forum discussions, and three web conferences that can be more flexibly and widely accessed by centres than face-to-face events.

Feedback from delegates indicated that the delivery model of web conferences, challenging questioning and online discussions was of significant benefit.

Technology to support assessment and learning

As part of the European Social Fund-supported (ESF) TranSETT project, SQA, in partnership with Scotland's Colleges, developed a wide range of e-assessments and online teaching and learning materials. The materials include approximately 30,000 e-assessment questions and 96 sets of interactive online teaching and learning materials across 34 subject areas. They were made available to all SQA centres as they were completed.

The materials enhance the delivery of National Certificates and National Progression Awards by making the learning and assessment process more engaging for learners. They were developed in partnership with schools and colleges in Scotland, creating valuable professional development opportunities for the staff involved.

In a similar ESF-supported partnership with Scotland's Colleges, a number of resources have been developed to enhance the delivery of Skills for Work (SFW) Courses through the Skills for Scotland project. During 2011–12, games-based assessments have been developed for five SFW Courses. An e-portfolio system has been made available for all 27 SFW Courses, and support materials have been provided for three new Courses that were validated during the year.

Strategic Goal 3 — Enhance the role of qualifications and services in recognising the skills of individuals across the education and training system.

Recognising skills through qualifications

SQA is committed to improving the skill sets of learners for their life now and in the future. It uses a skills framework, derived from *Building the Curriculum 4*, to incorporate appropriate essential skills in its qualification developments. These essential skills include for example literacy, numeracy, health and wellbeing, employability, enterprise, citizenship, and thinking skills.

The framework has been used as the basis for the new National Literacy and National Numeracy Units. It has also helped practitioners in the design of assessment and learning and teaching methods for the National Qualifications and Awards which support Curriculum for Excellence. The skills for learning, life and work sit alongside knowledge, understanding and subject-based skills.

Core Skills remain an important part of the Scottish system, and Core Skills qualifications will remain for the foreseeable future. SQA provides a range of qualifications which recognise similar broad sets of skills to meet a mixture of policy drivers. SQA has created tables of equivalences designed to help centres and learners recognise these skills for progression purposes. The equivalences cover Core Skills, Literacy and Numeracy and National Qualifications Communication Units. This information should help learners to progress without duplication of effort.

Recognition of Prior Learning

In June 2011 SQA's Qualifications Committee approved a Recognition of Prior Learning Policy and Supporting Guidance, which is to be implemented from summer 2012. SQA recognises prior learning as a method of assessing whether a learner's

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experience and achievements meet the standard of its Units. These experiences and achievements may or may not have been developed through a programmed course of learning. An online survey was undertaken to gain a greater appreciation of the nature and number of requests SQA centres receive from learners seeking credit towards SQA Units and qualifications. The survey was sent to all of SQA's Scottish centres.

The policy and guidance aim to support SQA's goal to be recognised as a leader in assessment, and contribute to the Scottish Government's wider lifelong learning and skills strategies. These strategies seek to increase the prominence and use of learners' prior learning and experience.

Credit rating and endorsement

SQA's credit rating and endorsement services are designed to provide recognition of learning for candidates who are taking qualifications or learning programmes offered by organisations across the education and training sector.

In 2011–12 a wide range of programmes were credit rated on to the SCQF for organisations across the public, private and voluntary sectors. SQA works closely with the SCQF Partnership and this year it provided support to SCQF-led initiatives including study visits and conferences.

SQA endorses a range of materials and resources to support learning, assessment and study skills, including e-portfolios used to support assessment in a number of Scottish Vocational Qualifications.

Customer feedback on credit rating and endorsement activity continues to be very positive.

Recognising achievements

Each year, SQA's Star Awards celebrate the success and commitment demonstrated by individuals, schools, colleges, training providers and businesses.

At the annual Star Awards ceremony in November 2011, education and training success stories from across Scotland and the rest of the world were honoured. Thirty-eight awards, in 14 categories, were presented to individual learners and organisations.

To recognise the achievements of our candidates in China, we were delighted to welcome Xianglong Chen and Pinpin Lv, winners of the 2011 Inspiring Scotland and Contemporary China competitions.

The honorary SQA Fellowship was presented by SQA Chief Executive Dr Janet Brown to Jennifer di Folco, who has made a huge contribution to education and training in her career.

Strategic Goal 4 — Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement.

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SQA continues to support the Scottish Government's international strategy and engagement plans through a variety of work in many of the countries that are prioritised for engagement by the Government, including China and India, as well as in the Middle East, Africa and Europe and accession countries.

SQA is working in partnership with many higher education institutions and universities to develop articulation and progression routes for candidates completing their Higher National Diploma (HND) programmes that will maximise the international mobility of students.

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

Since January 2010, SQA has supported the Government of the Kingdom of Bahrain to develop a national qualifications framework. SQA also secured a further two-year contract to lead on providing technical support to develop, embed and build capacity for the structure and governance of the Bahraini Qualifications Framework.

As the lead member of an international consortium, in January 2012 SQA concluded a two-year European Commission contract to provide technical assistance to the Agency for Vocational and Adult Education (AVETAE) in Croatia to develop occupational standards, vocational qualifications and curriculums. More than 300 Croatian stakeholders from across the education and training sectors attended the conference presenting the project findings and recommendations, with presentations given in support of the project by the Croatian Minister of Science, Education and Sport, the head of the EU Delegation for Croatia, and the Director of AVETAE.

SQA further promotes Scotland and its education system internationally by hosting and participating in study visits to Scotland from overseas delegates seeking to learn from good practice to inform the development of their education and training systems. During 2011–12, SQA hosted international study visits from government departments and education establishments across the world including Trinidad and Tobago, Jamaica, Latvia, Turkey, Hong Kong, Indonesia and Malawi. There were also in-depth study visits linked to the Bahrain and Croatia consultancy projects.

SQA's international brand continues to develop, with many organisations throughout its targeted regions seeking SQA's expertise or wishing to develop SQA qualifications for their students.

Strategic Goal 5 — Subject to demand and statutory requirement, accredit and assure quality of qualifications delivered in Scotland, other than those conferred by higher education institutions.

SQA Accreditation

SQA Accreditation is a discrete, autonomous function within SQA, reporting through the statutory Accreditation Committee and Chief Executive to the Scottish

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Government. It has a remit to approve awarding bodies and to then accredit qualifications submitted by them. In so doing, SQA Accreditation seeks to ensure that the qualifications it accredits meet the needs of Scotland and its people, and to support the Scottish Government's refreshed Skills Strategy — *Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth*. In discharging the accreditation function, SQA Accreditation fulfils a regulatory role, ensuring that standards are maintained by those approved awarding bodies and accredited qualifications.

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

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

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

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

In 2011–12, SQA Accreditation developed a set of Regulatory Principles, which will replace the detailed and prescriptive Awarding Body Criteria. The Regulatory Principles were approved by SQA's Accreditation Committee for implementation from 1 April 2012. The Regulatory Principles are less prescriptive than the Awarding Body Criteria, and will enable approved awarding bodies to be more flexible and innovative in qualifications design, delivery and quality assurance, yet still maintain the necessary rigour to maintain confidence.

More information in relation to the work of SQA Accreditation is available in the [SQA Accreditation Annual Report](#).

Strategic Goal 6 — Ensure high quality, continually improving, efficient and responsive service delivery.

Improving processes within SQA Accreditation

Building on continuous improvement work initiated the previous year, SQA Accreditation considered alternative models of regulation. The review concluded that co-regulation could be considered as a possible additional model to the current way of working.

The current performance indicator for SQA Accreditation is to accredit a qualification within 30 working days of receipt. Under the continuous improvement agenda,

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accreditation processes were reviewed to determine whether this target could be reduced to ensure that a more responsive accreditation model was available. This aimed to support awarding bodies, employers and learners yet maintain the rigour and quality of the accreditation process. Work on a revised accreditation process was also concluded.

The review identified that improvements could be made to the process by making more use of a library of documentation provided by the approved awarding bodies although this does place more onus on awarding bodies to provide updated documentation. This new streamlined process should enable accreditation submissions to be processed more quickly. Therefore, the performance indicator of the new model has been reduced to 20 working days.

In developing this streamlined accreditation process, potential to develop Criteria for Accredited Qualifications was also considered. This work was carried out in parallel with a review of the SVQ Criteria, and it was determined that a single set of criteria would cover all accredited qualifications. SQA's Accreditation Committee approved this single set of criteria for implementation from 1 April 2012, when the SVQ Criteria will be removed.

SQA Accreditation also reviewed the accreditation process with a view to building SCQF credit rating into the process. Using the SVQ credit rating model as the basis of this, a methodology has been developed which will allow SQA Accreditation to confirm the SCQF credit rating of qualifications submitted for accreditation. This process will be rolled-out from 1 April 2012 and will be kept under review.

Staff development

Despite the current challenging economic climate, SQA continues to invest in the development of its staff to support the achievement of its strategic goals. A performance management review process is in place that allows staff to identify learning and development requirements for their current and future roles. As a result, staff members have attended internal and external development events in a diverse range of subjects, with needs being addressed at individual and team level.

E-learning has been introduced as part of a blended learning approach for staff development; Equalities Awareness and Mental Health for Line Managers e-learning modules have been developed in-house.

SQA invests in staff attaining professional qualifications, with 33 staff undertaking an SVQ this year. In addition, SQA has a number of staff participating in the Customer Service Professional Award, a qualification developed with stakeholders for use mainly in local authorities.

SQA's appointees

SQA relies on thousands of appointees to support development and delivery of its qualifications. During 2011–12, an appointee portal was launched to further improve the way SQA works with its appointees. The portal was launched and rolled-out initially to new Principal Assessors for National 5 qualifications. It will provide a platform for appointees to access documents and systems that are relevant to their appointee role. It will also provide a channel for communication between SQA and its appointees, and between the various appointee groups.

SQA rolled-out its appointee training programme for the new National 5 qualifications. Principal Assessors for these qualifications undertook a two-day induction programme, and also completed the first two days of their formal training.

Managing information

SQA has put in place a central information management team and Information Governance and Implementation project to develop, promote and embed good practice in information management throughout SQA. All information policies have been reviewed, and information representatives have been identified for each business area to promote good practice. Information reviews are being completed to define business area retention and records management policies, as well as file-naming and folder structure conventions. This work aims to ensure adherence to best practice and the Public Records (Scotland) Act 2011.

SQA has also invested in an electronic content management system to enable business areas to manage their information effectively. The system enhances controlled management of the storage of, and access to, documents and is being used by the Curriculum for Excellence team to publish consultation documents to the website.

Customer and stakeholder relations

To ensure that customers receive the highest standard of service, SQA expanded its customer relationship management (CRM) system to all relevant business areas. CRM champions were identified and trained to coach staff to support the system's phased roll-out. The CRM system allows SQA to stay close to its customers and provide timely and appropriate responses and support.

SQA has continued to work in partnership with colleges in looking at wider quality matters, including the pilot of a new approach to quality assurance, e-assessment, SQA's product development cycle, and the model of quality assurance for the new National Qualifications. An annual event was held in February for all colleges.

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

During 2011–12, SQA has also continued to work closely with colleges, training providers and employers throughout the UK and Ireland. Each SQA-approved centre has a dedicated account manager who acts as the main point of contact for the customer. Being regionally based the SQA Relationship Managers truly understand the needs of the local area. This ensures that SQA is able to respond quickly to customer requests and helps build and strengthen relationships. To enhance this further, SQA also meets regularly with member organisations representing colleges and training providers and is an active member of local chambers of commerce, giving us an opportunity to continue to engage with employers at a local level to understand their needs and to advise them on appropriate qualifications.

Business intelligence

SQA modernised its approach to aggregating, accessing and using data, deploying new software and changing its approach to using data. The software allows SQA to

take data that is currently held in discrete databases and silos and aggregate this into reports that can be shared across the organisation. This has had a significant impact on efficiency and effectiveness in areas including customer service, centre verification, Portfolio Management and Human Resources, with extension to further business areas planned to take place in 2012–13.

Business continuity

During 2011–12, SQA's Incident Management and Executive Management Response Plans were substantially revised. Business recovery plans and the associated systems requirements for teams across SQA were refreshed. A three-year plan setting out training, testing and maintenance activity to support business continuity was introduced, and specialist incident logging training was provided to key staff.

SQA's business continuity plans were invoked to manage a number of small incidents throughout the year, and SQA continues to work closely with partners in the education sector to anticipate and respond to any incidents with potential to impact on delivery of Scotland's qualifications. These partnerships include the Scottish Government-led Qualifications Contingency Group, and the Ofqual-led Contingency Management Group at UK level. In addition, consultancy support was provided to the Scottish Funding Council in revising their Major Incident Response Plan.

Strategic Goal 7 — Continue to develop SQA as a leading public body.

SQA Dalkeith relocation

The Scottish Government approved SQA's business case to relocate to a purpose-built office at Shawfair Business Park in March 2010, with the ground-breaking ceremony carried out by the then Minister Keith Brown in July 2010. SQA took receipt of the building on 31 October 2011 and started relocating all services from the Ironmills Road site to Shawfair. This was fully completed on 28 November 2011.

The relocation demonstrated SQA's commitment to the community and retained its position as a major employer in the Midlothian area, safeguarding 230 permanent post holders, along with the temporary positions that are filled during the main examination period.

The project was delivered on time and under budget. SQA staff members were heavily involved in a range of activities including selection of furniture, colour schemes and room names, with a core group of key senior SQA staff leading the project. A competition was held asking staff to suggest names for the new building. 'Lowden', the old Scots word for the Lothians was chosen to reflect SQA's close links with the local community.

The building has achieved a BREEAM (Building Research Establishment Environmental Assessment Method) rating of excellent — BREEAM sets the standard for best practice in sustainable building design, construction and operation. The energy performance certificate for the building is rated 'B', whereas the Ironmills Road building was 'F', in a banding that is A–G.

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The building management system allows direct control of heating times. This has contributed to a reduction of 222 tonnes of CO₂ (gas and power). Compared against a similar period of occupation at Ironmills Road, this equates to a saving of £34,000. With further embedding of recycling and elimination of individual waste bins, landfill waste has been reduced by 8%. As a result of the relocation, a Green Travel Plan has been put into place, promoting the use of public transport to all staff and visitors to the building.

More information about SQA's environmental plans and performance is available in the SQA Sustainability Report 2011–12.

Corporate social responsibility

SQA is keen to lead the way as a socially responsible employer. It has continued to implement its Corporate Social Responsibility Strategy supporting four areas: community, people, customers and suppliers, and the environment.

During 2011–12, 60 staff participated in SQA's volunteering scheme supporting local schools, colleges and community organisations in activities including: CV writing, mock interviews, careers evenings, pupil mentoring, gardening, painting and DIY. SQA held a volunteering reception at its new Lowden office bringing together schools, colleges and businesses that have worked with SQA to support the local community and develop employability skills for the young people of Glasgow and Midlothian.

SQA is represented on the Scottish Business in the Community Glasgow Leadership Group as a leading employer in Glasgow for business and administration. It works in collaboration with employers in the Glasgow area to prepare young people for the world of work. As part of this, SQA worked with Hillpark Secondary School in Glasgow to develop an Employability Toolkit that promotes careers in business and administration to pupils.

SQA is implementing an apprenticeship scheme. During 2011–12 the first stage of the scheme was promoted through a roadshow to schools in Midlothian, and a dedicated web page was launched to explain the scheme to potential applicants.

In March, SQA held an art open day at its new Lowden office to showcase artwork from the Midlothian Art Challenge. The Midlothian Art Challenge encouraged primary and secondary school pupils and college students in the Midlothian area to produce a piece of artwork named after a famous Scot. These are now displayed in meeting rooms and public areas in Lowden. The event was attended by artists from across the Midlothian area, SQA staff and members of the local community.

Sustainability

SQA has a target to reduce total CO₂ output by 20% by 2014, relative to a baseline total for 2009–10. It is planned that the total CO₂ is reduced by an average of 4% year on year to achieve this target. The actual figures show an early increase in CO₂ during the year 2010–11 followed by decreasing totals as the projects in the SQA Environmental Plan were instigated.

The current reduction at the end of financial year 2011–12 is 28%, which represents 1,375 tonnes of CO₂.

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Changing SQA's fleet vehicles to more environmentally efficient models (including hybrid) has had the effect of reducing the fleet vehicle total CO₂ output. SQA is currently evaluating an all-electric vehicle in partnership with Jewel & Esk College.

SQA's registered fleet drivers have recently undertaken environmental and economical driving training organised through the Energy Saving Trust.

To enhance biodiversity, the new Shawfair site has been planted with a variety of hedging, shrubs and trees. There is also a dedicated wildlife area within Shawfair Park, which includes a small loch. More information about SQA's environmental plans and performance is available in the SQA Sustainability Report 2011–12.

Equality

During 2011–12, SQA carried out a series of activities to increase awareness and understanding of the Equality Act 2010 across the organisation.

Equality Week events were organised for Glasgow and Midlothian staff. These were supported by a range of organisations with specialist insight in equality, and particularly the protected characteristics defined by the Equality Act 2010. During the events, staff members were invited to participate in seminars or visit a resource area to learn more about the needs of people affected by the protected characteristics, and SQA's duties and plans to address these needs. Two e-learning modules were also offered to staff to increase understanding of SQA's responsibilities as an employer in relation to equality and mental health.

SQA's Equal Opportunities in Employment Policy promotes equality of opportunity and compliance with its equality obligations across the full range of protected characteristics. SQA completed an equality impact assessment of its Equal Opportunities in Employment Policy and will review this assessment as part of its annual review of Human Resources (HR) policies. During the reporting period further work has been carried out to improve data gathering in relation to employment monitoring information. SQA has policies in place to ensure that it responds to requests for reasonable adjustments from disabled employees and its Occupational Health Manager continues to provide confidential advice and support to staff. SQA's absence trends show a 7% reduction in absence. In 2010–11, the total number of days' absence was 7,064. This reduced to 6,556 days in 2011–12.

During the period SQA also continued to take opportunities to inform the development of legislation in this area. It responded to Ofqual's Consultation on Specifications in relation to the Reasonable Adjustments of General Qualifications, and to the Scottish Government on the Public Sector Equality Duty Revised Draft Regulations.

Working towards the general public sector equality duty, SQA continued to implement equality action plans, to carry out equality impact assessments, to offer assessment arrangements, and to implement and refine its Equality Review of Qualifications process. This process has been developed to ensure that qualifications are not discriminatory for any learner on the grounds of any of the protected characteristics, and that due consideration is given to the reasonable adjustments that SQA can make to provide access to its qualifications for disabled learners. An Equality and Inclusion Key Partners Group has been established to support this process. SQA opened a consultation in March 2012 on proposals for exercising its

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powers under the Equality Act 2010 for specifying and publishing where adjustments for disabled candidates should not be made.

More information on SQA's work and future plans to ensure fairness and equality, including progress with the Equality Review of Qualifications process, is available in [SQA's Annual Equality Review 2011](#).

SQA's Gaelic Language Plan

In 2011–12, SQA continued to implement its five-year Gaelic Language Plan (Plana Cànan na Gàidhlig) approved by Bòrd na Gàidhlig in 2010. The visibility of Gaelic across the organisation continued to grow with the extension of bilingual stationery following SQA's move to new premises in Midlothian. The organisation continued to investigate options to provide language training to staff in key areas, including the provision of a taster session attended by SQA's Chief Executive.

SQA sponsored the An Latha Litreachais (Literature Day) at the Royal National Mòd in Stornoway in October 2011, and launched 12 new Gaelic language qualifications at Lews Castle College during the event. The 12 new Units cover the four key skills beginners need to develop to successfully learn a new language; speaking, listening, reading and writing. They were developed by SQA in partnership with Scotland's Colleges and other language training providers in an effort to address the issue of the lack of provision for adults who want to learn Gaelic.

SQA continued to expand its provision for Gaelic speakers by introducing a new National Progression Award in Contemporary Gaelic Songwriting. This award aims to promote the appreciation and use of Gaelic language and culture among young people by harnessing their musical skills and talents in the writing, arranging and performing of self-composed Gaelic songs. All of these new qualifications are being piloted by Lews Castle College in Stornoway.

This is the first academic year in which candidates have been able to register directly for a Gaelic-medium qualification, with new course codes.

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

SQA's Partnership Group

The Partnership Group is the forum whereby SQA works collaboratively with its recognised trade unions, Unite and Unison. The group is comprised of members of SQA's Executive Team, the Human Resources Team and trade union representatives. In addition to consultation on employee-related matters and certain collective agreement rights, this group works together to develop and support an environment of trust, respect and inclusivity at all levels, in the shared belief that this will benefit the Scottish public, the organisation and individual staff members. The Partnership Group is committed to successfully delivering the SQA Vision, Values and Strategic Goals. During the course of the year, the Partnership Group has worked together to address the issues facing SQA, including how SQA might respond to the financial pressures of the current economic climate. These include:

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- ◆ a voluntary early release scheme
- ◆ approaches to create a more flexible workforce to place resources where the needs are greatest
- ◆ actively managing headcount and staff costs
- ◆ a range of policy reviews

As in previous years, SQA continues to seek opportunities to streamline processes and use its resources more efficiently. As a result of ongoing process improvement, and following on from the voluntary early release scheme run by the organisation in 2010–11, SQA estimated that it could release further staff in 2011–12. This aimed to continue to reduce the organisation's cost base without compromising the delivery of high-quality services. With the approval and part funding of the Scottish Government, and full agreement and support from its Partnership Group, SQA allowed staff to volunteer to leave the organisation with financial compensation. Volunteers were assessed based on business impact and affordability. In total, 17 members of staff were released from the organisation in March 2012.

In addition to the Partnership Group, SQA seeks to keep all its staff members fully aware of the organisational aims and objectives, and the financial and economic factors impacting upon the organisation. It achieves this through the publication of its Corporate Plan, and Directorate and Operational plans, quarterly All Staff Briefings delivered by the Chief Executive, and also through regular staff communications on business matters.

Strategic Goal 8 — Develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment.

Wider markets

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

Portfolio management

SQA's 2020 vision, describing how the organisation will deliver for Scotland, has a 'road map' defining the high-level approach to achieving this vision. This is now used by SQA's Portfolio Management Office, which was established in January 2011, to oversee the implementation of programmes of work aimed at achieving its strategic goals.

Over 2011–12, a number of good practices have been embedded within SQA. These include:

- ◆ a rigorous governance model for portfolio management, including approval, risk management, dependencies and reporting processes

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- ◆ working with programme managers in the community of practice to take forward continuous improvement developments
- ◆ setting up a prioritisation framework for all new initiatives and projects

This work has led to:

- ◆ an improved approval process for projects
- ◆ improved visibility through an appropriate reporting framework of the programme and project work currently underway in SQA
- ◆ improved decision making
- ◆ greater visibility of the dependencies between projects

Shared services

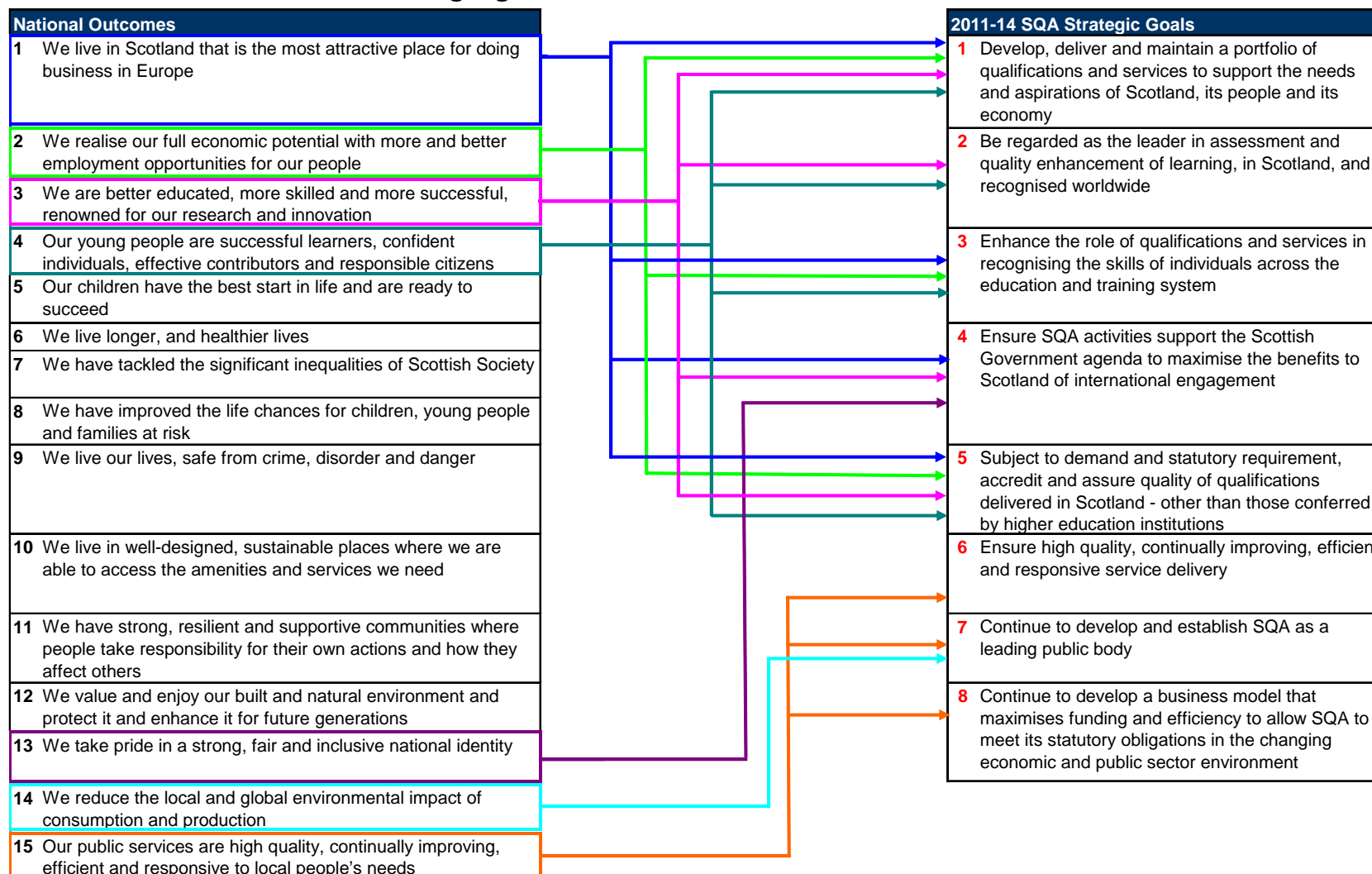
To support the Scottish Government's agenda for shared services, SQA has entered into an annual agreement with the Scottish Funding Council (SFC) whereby SQA provides leadership in HR and organisational development to the SFC.

Similarly, Historic Scotland has seconded to SQA a Director of Finance on a part-time basis since October 2011 to lead our Finance strategy and Directorate. SQA also provides recruitment administration support to the SCQF.

These build on existing arrangements to share good practice and resources which are fundamental to delivery of SQA services, for example:

- ◆ shared facilities management services (cleaning, security, mail, print and light maintenance) linked to SQA's co-location with Education Scotland in the Optima building in 2005
- ◆ partnerships with centres, public bodies and other organisations to plan and deliver qualifications developments such as new National Qualifications linked to the Curriculum for Excellence and the National Qualifications Group Award development programme working with Scotland's Colleges
- ◆ active participation in benchmarking exercises led by Scottish Government for corporate services

National Outcomes and SQA strategic goals



6 Financial performance

Financial overview

The financial results for the year ended 31 March 2012 are contained in the attached annual accounts, which have been prepared in accordance with the 2011–12 *Government Financial Reporting Manual*. The financial performance and position of the organisation are contained within the Statement of Comprehensive Net Expenditure and the Statement of Financial Position respectively. The accounting policies adopted by SQA are set out in the notes to the accounts.

Cash balance

Our financial memorandum with the Scottish Government requires that no grant-in-aid is drawn down in advance of need. As grant-in-aid is drawn down on a cash basis this, historically, required SQA to ensure that all cash receipts were expended prior to the end of the financial year and that no cash balances were held at the year end. During 2011–12, however, SQA received approval from Scottish Government to draw down £750,000 of underspent 2011–12 grant-in-aid as working capital to carry over between financial years to better manage any cash management issues that arise over the course of the year from income and expenditure timing issues. Approval was given on the condition that SQA's year-end cash position is never less than £750,000. The Statement of Financial Position as at 31 March 2012 shows that a cash balance of £830,000 (2011: £nil) was retained at the year end. Our financial objective in this regard was therefore achieved.

Pension deficit

SQA has included a pension deficit of £6.641m within the annual accounts under IAS 19, the International Financial Reporting Standard which relates to the disclosure of pension arrangements. This deficit has been advised by Hymans Robertson, the actuary to the Local Government Pension Scheme, of which SQA is a member.

Property, plant and equipment

Expenditure on capitalised property, plant and equipment during the period totalled £4.9m. This was primarily used to fit-out SQA's new leasehold premises at Shawfair Park (£2.6m) and to develop assets under construction (£2.2m).

Assets classified as held for sale

At 31 March 2011, SQA's feuhold land and building at Ironmills Road, Dalkeith was transferred from non-current assets to current assets as an asset classified as held for sale in accordance with IFRS 5. The sale of the land and building was ongoing at 31 March 2012 and SQA considered that the requirements of IFRS 5 continued to be met.

The sale of the land and building at Ironmills Road, Dalkeith was concluded on 31 May 2012 and is disclosed in the notes to the accounts (note 21 Events post-date of Statement of Financial Position).

Income

SQA income is generated from charging for the delivery of our products and services and some EU grant funding. Total income in 2011–12 of £46.9m was obtained, being entry charges (£37.8m), other income (£8.3m) and EU funding (£0.8m). A reduction to the minimum unit requirement for full-time college students has resulted in fewer National Qualifications entries, from the college sector. Additionally, the current economic climate has meant that we have seen candidate entries for Vocational Qualifications reduce. However, Higher National Qualifications entries have been maintained from the previous year and this is due to continued positive customer engagement.

Expenditure

Operational costs were £64.3m, being staff costs (£27.4m), other expenditures (£35.3m) and depreciation (£1.6m). There has been an increase in staff costs from the previous year mainly as a result of an unfavourable movement in pension costs which have been accounted for in accordance with IAS 19. However, there have been underlying savings in non-grant-funded payroll costs, from the previous year, following a voluntary early release scheme in March 2011. Depreciation costs are less due to the disposal of the land and building at the Ironmills Road property. Other non-grant-funded expenditures have fallen due to efficiencies and the continued drive to reduce costs. Grant-funded costs have increased overall, mainly due to Curriculum for Excellence activity. Further detail of these cost areas is given in the notes to the accounts.

Public Services Reform (Scotland) Act 2010

Statements of expenditure for 2011–12 in relation to the following can be found on SQA's website:

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

Efficiency, effectiveness and economy

SQA plans to make efficiency savings in line with or exceeding Scottish Government targets in each financial year. For the financial year 2011–12, SQA had a target to achieve £1.3m in efficiency savings and actual efficiency savings realised were £1.4m. Included in this are staff cost savings from a voluntary early release scheme in March 2011 of £0.7m. Other savings have been achieved as a result of embedding a culture of efficiency across the organisation and not as a result of individual efficiency programmes. Areas where efficiency savings have been realised include performing additional work in-house, using technology more effectively, and improving business processes and working practices. There have been no reductions in outputs or quality of service as a result of making efficiency savings.

Payments to suppliers

SQA aims to pay suppliers within 10 days of receipt of a valid invoice. Our performance against this aim during 2011–12 was 96% of suppliers being paid within 10 days.

7 The future

The Corporate Plan 2012–15 sets SQA’s strategic direction for the next three years, covering both SQA’s accreditation and awarding functions. The plan has built on the approach taken in recent years, ensuring that the organisation’s strategic goals support the Scottish Government’s National Outcomes.

SQA’s strategic goals for 2012–15 are:

- 1 Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy.
- 2 Be regarded as a leader in assessment and quality enhancement of learning in Scotland, and recognised worldwide.
- 3 Ensure SQA activities support the Scottish Government’s agenda to maximise the benefits to Scotland of international engagement.
- 4 Accredite and assure the quality of qualifications delivered in Scotland, subject to demand and statutory requirement — other than those conferred by higher education institutions.
- 5 Ensure high quality, continually improving, efficient and responsive delivery of services to our customers.
- 6 Continue to develop SQA as a leading public body and key partner in Scotland’s education and skills system.
- 7 Continue to develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

Date

8 Remuneration report

8.1 SQA's staff

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

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

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

8.2 Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. Employee contributions from 1 April 2011 are based on full-time equivalent pay as at 31 March for LGPS (see below) and 6.4% of pensionable earnings for Scottish Teachers' Superannuation Scheme members. For 2011–12, employer's contributions of £3,359,231 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay and 14.9% for SPPA pensionable pay.

Further details about the LGPS and SPPA arrangements can be found on their websites www.lgps.org.uk and www.sppa.gov.uk.

Strathclyde Pension Fund contribution rates

Pay tranche	Contribution rate paid on that tranche
Up to and including £18,500	5.50%
Above £18,500 and up to £22,600	7.25%
Above £22,600 and up to £30,900	8.50%
Above £30,900 and up to £41,200	9.50%
Above £41,200	12.00%

8.3 SQA's Non-Executive Board

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

The members of the Board are appointed by Scottish Ministers from a range of backgrounds from the public and private sectors. Board members are paid a monthly fee

on the basis of their duties that are set and reviewed annually (August) by the Scottish Government. The Chairman's level of remuneration is set and reviewed annually by the Scottish Government.

8.4 Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The committee meets a minimum of once a year. The members of the committee during 2011–12 were:

- ◆ Mr Graham Houston (SQA Chairman and Convenor of the Remuneration Committee)
- ◆ Prof Alex MacLennan (SQA Board Member, resigned 1 October 2011)
- ◆ Ms Carole Wilkinson (SQA Board Member, appointed 1 October 2011)
- ◆ Dr Janet Brown (SQA Chief Executive and Officer of the Remuneration Committee)
- ◆ Ms Maidie Cahill (Officer of the Remuneration Committee)

8.5 Disclosure of remuneration

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

This section of the Remuneration Report is subject to audit.

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	Salaries and other payments		Benefits in kind	
	2011–12	2010–11	2011–12	2010–11
	£'000	£'000	£	£
Chairman				
Graham Houston	10–15	10–15	200 ²	-
Chief Executive				
Dr Janet Brown	120–125	120–125	6,300 ¹	7,300 ¹
Non-Executive Board members				
Jim Edgar	0–5	0–5	200 ²	400 ²
Willie Gallagher	0–5	0–5	300 ²	400 ²
Prof Alex MacLennan*	0–5	0–5	200 ²	900 ²
Kenny McKay	0–5	0–5	400 ²	-
Raymond O'Hare	0–5	0–5	-	-
Prof John Simmons	0–5	0–5	400 ²	500 ²
Dr Paul Thomson	0–5	0–5	500 ²	400 ²
Susan Walsh	0–5	0–5	200 ²	200 ²
Carole Wilkinson	0–5	0–5	300 ²	200 ²
Directors				
Maidie Cahill	80–85	75–80	-	-
Linda Ellison**	-	-	-	-
Rob Gibson	75–80	80–85	-	-
Karen McCallum	85–90	90–95	-	-
John McDonald***	55–60	90–95	-	-
John McMorris****	45–50	-	-	-
Dr Gill Stewart	80–85	85–90	-	-
Band of highest paid Director's total remuneration	120–125	120–125		
Median total remuneration	25,092	25,697	-	-
Ratio	4.9	4.8	-	-

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.

* Professor Alex MacLennan resigned from his post with effect from 1 October 2011.

** Linda Ellison joined SQA on 29 August 2011 on a part-time basis as a shared service contract between SQA and Historic Scotland. Total costs payable to Historic Scotland during 2011–12 for this service were £21,388.38. Historic Scotland is disclosed as a related party (note 22).

*** John McDonald left SQA on 30 September 2011.

**** John McMorris was appointed on 1 September 2011.

There were no bonuses paid in 2011–12.

Benefits in kind are:

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

² 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.

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

	Real increase in pension	Total accrued pension at 31 March 2012	Cash equivalent transfer value at 31 March 2011	Cash equivalent transfer value at 31 March 2012	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
Chief Executive					
Dr Janet Brown	0–2,500	10–15	417	475	43
Directors					
Maidie Cahill	0–2,500	10–15	276	332	46
Rob Gibson	0–2,500	0–5	30	50	19
Karen McCallum	0–2,500	5–10	65	91	23
John McDonald	0–2,500	10–15	397	446	35
John McMorris	0–2,500	0–5	N/A	58	58
Dr Gill Stewart	0–2,500	0–5	399	457	45
	Real increase in pension	Total accrued pension at 31 March 2011	Cash equivalent transfer value at 31 March 2010	Cash equivalent transfer value at 31 March 2011	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
Chief Executive					
Dr Janet Brown	0–2,500	5–10	403	417	(7)
Directors					
Maidie Cahill	0–2,500	10–15	271	276	(10)
Rob Gibson	0–2,500	0–5	20	30	9
Karen McCallum	0–2,500	5–10	53	65	10
John McDonald	0–2,500	10–15	402	397	(26)
Dr Gill Stewart	0–2,500	0–5	410	399	(33)

The Chief Executive and all of the Directors are ordinary members of the Strathclyde Local Government Pension Scheme.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

Date

9 Statement of Accountable Officer's responsibilities

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

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- ◆ observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ◆ make judgements and estimates on a reasonable basis
- ◆ state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- ◆ 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 SQA's assets, are set out in the *Scottish Public Finance Manual* published by the Scottish Ministers.

10 Governance statement

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

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SQA's policies, aims and objectives set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

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

Purpose of the system of internal control

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

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

The process within the organisation accords with guidance from Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts.

Governance and management structures

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

Sponsor department

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

Board of Management

The Board 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 number of committees with specific remits: the SQA Accreditation Committee, the SQA Advisory Council, the SQA Qualifications Committee, the SQA International and Commercial Committee, the SQA Audit Committee and the SQA Remuneration Committee. In line with statute, the SQA Accreditation Committee and the SQA Advisory Council are 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 from the meetings. The Chairman of SQA's Board of Management and Scottish Government review the effectiveness of SQA's Board during the annual review of performance of the Board's fulfilment of its statutory functions. Additionally, the Chair holds annual review discussions with each Board member to ensure members have a clear understanding of the role of the Board and the contribution they each make, and to solicit feedback on potential ways to improve the way in which the Board operates.

The Audit Committee provides advice to the Board on matters related to governance, the management of identified risks, and the effectiveness of the internal control system. The Audit Committee highlights any matters of interest to the Board for their consideration.

Internal audit

A review of the internal audit provision was carried out during 2010–11. A procurement tender exercise was also undertaken during 2010–11 and this review informed the development of the tender specification. On completion of the tender process a recommendation was made to the Audit Committee to appoint Scott-Moncrieff for a period of two years with the option to extend the contract for one further year. Scott-Moncrieff is a firm of independent internal auditors operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS).

The outcome of the review of internal audit was the implementation of a risk-based, proportionate and intelligence-led approach to quality assurance and review as encapsulated in a Process Improvement Plan. These changes will improve and add value to the internal audit function by giving clear ownership to directorates and business teams in the audit planning phase and encourage a holistic approach to SQA's risks and challenges.

A Process Improvement Plan for 2011–14 was developed by Scott-Moncrieff following an assessment of internal audit service requirements and discussions with senior management and the Chair of the Audit Committee. It was approved by our Executive Management Team and endorsed by our Audit Committee. The Process Improvement Plan is subject to ongoing and formal annual review to ensure it reflects changes in business requirements and to take account of any changes in SQA's risk profile. The new 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.

In addition to the outsourced audit activity, SQA operates an additional in-house audit programme, comprised of trained volunteers released from their substantive roles. The in-house volunteers conduct audits of key processes to support our continuing partial

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compliance with ISO 9001 and ISO 27001. Reports on in-house audit activity are reported to the Audit Committee.

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

Internal controls

Responsibility for ensuring that appropriate internal controls are applied sits with Corporate Services (formerly Human Resources) and Finance Directorates. Key controls include:

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

Planning and performance framework

The SQA Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with ministerial guidance. The SQA Corporate Plan 2012–15 has been developed to align with the priorities set out in the Scottish Government's Programme for Government published in September 2011.

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

Progress against objectives within the Corporate Plan is subject to review by the Audit Committee through the provision of Quarterly Performance Reports. The Audit Committee reviews progress against the strategic goals identified within the Corporate Plan and reports any matters of interest to the Board of Management for their consideration. The Quarterly Performance Review process is being revised to more clearly focus on measuring progress with SQA's Corporate Plan Strategic Goals. A revised pack will be introduced in 2012–13 that will include information to support management in tracking progress with efficiency savings.

Portfolio management framework

The Portfolio Board has been in place since January 2011 to oversee major project activity underway within SQA and to ensure its continued alignment to SQA's Strategic Goals and 2020 Vision. Membership is made up of SQA's Directors, who also sponsor the programmes within the portfolio, supported by the Portfolio Management Office which manages the flow of information and ensures that key standard processes are in place and adhered to. The key activities of the Portfolio Board are to provide strategic direction to Programme Boards, confirm the portfolio content and priorities, review delivery progress, addressing any escalated risks and issues, and ensure that implementation into the business is planned and co-ordinated to maximise benefit and minimise operational disruption.

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A review of the operation of the portfolio and its governance will be undertaken to ensure its continued appropriateness and effectiveness in identifying and implementing the right projects at the right time.

Risk management framework

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

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

Risks are identified, reported on and monitored according to this framework. Each quarter, the Management Team, Executive Management Team and Audit Committee review the register of key strategic risks and mitigating action. Within SQA business areas, projects and programmes there are operational risk registers. These risks are reviewed regularly by local managers and centrally to determine if any require to be escalated to the Executive Management Team and Audit Committee or Board, if appropriate. This review is informed by thresholds to identify risks where the rating suggests that the risk would benefit from escalation for discussion at a higher tier of management.

During 2011–12 the SQA Corporate Risk Register identified the principal areas of risk for the organisation as relating to uncertainty around a sustainable funding model for the organisation and the criticality of SQA's role in working with partners to ensure successful delivery of the overall Curriculum for Excellence programme.

In February, SQA's Audit Committee held a Strategic Risk Workshop to consider both existing and new risks which the organisation would face in the future. These considerations were incorporated into the Corporate Risk Register for 2012–13.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. During 2011–12, SQA's business continuity strategy and related plans were reviewed and applied in managing a range of minor disruptions. Potential risks related to SQA's relocation to its new Lowden office in Midlothian were assessed and contingency plans developed. 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. In 2012–13, SQA will begin to implement a three-year capability plan covering specialist training and testing of plans across the organisation.

Compliance with policies, procedures, laws and regulations

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

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

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

Safeguards against losses

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

Controls are in place to ensure that financial transactions are authorised in line with the Scheme of Delegation. Duties for Finance staff are segregated, where possible, to ensure effective financial controls.

An anti-fraud policy and fraud response plan are in place, ensuring that all SQA employees understand their responsibilities in this area and that prompt action is taken in the event that fraudulent activity is suspected. During 2011–12 there were no reported incidents of fraud.

Integrity and reliability of information and data

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. As required by ISO 27001:2005, SQA has a reporting structure for information security incidents.

An Information Governance and Implementation project has been created to progress awareness training for staff regarding the management of confidential data. During 2011–12, SQA used a Cabinet Office online training resource for information security to ensure that staff members are aware of their responsibilities within business areas accredited to ISO 27001, and plans are in place to extend this across the organisation in 2012–13.

In November 2011, the Information Commissioner's Office (ICO) received a data protection complaint which resulted in SQA having to provide information to the ICO. SQA was advised that the information would be assessed by the ICO to determine if further action would be necessary to ensure compliance with the Data Protection Act. In response to the request for information, SQA acknowledged that information about the complainant should not have been disclosed and enclosed a copy of the letter of apology

to the complainant. The ICO confirmed that SQA had taken appropriate action in this case, that it would not require any additional future action by SQA and that it will continue to monitor SQA's compliance with its data protection duties. Plans for additional training on the relevant legislation are being informed by SQA's legal advisers.

Efficiency, effectiveness and economy

SQA is committed to ensuring that arrangements are in place which will lead to an economic, efficient and effective use of the organisation's resources. The efficiency agenda forms part of SQA's annual planning and budgeting process and efficiency savings that are measurable and sustainable are identified, budgeted and monitored throughout the financial year. By continuing to embed a culture of efficiency, continuous improvement and best value across the organisation SQA has planned to make efficiency 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 making efficiency savings. In 2012–13 revised reporting arrangements will support management in more clearly focusing on delivery of efficiency targets, and options to define and track non-cash releasing efficiency savings will be investigated.

Review of effectiveness

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

- ◆ the senior management within the organisation who have responsibility for the development and maintenance of the internal control framework
- ◆ the work of the internal auditors, who submit to the SQA's Audit Committee regular reports which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement. (Specifically during 2011–12 I have considered the reviews of Relocation to Shawfair Park, National Qualifications Certification Process, Payments to Appointees, Financial Planning and Reporting, Workforce Planning, Progress Against Efficiency Targets, Financial Systems Healthcheck, Accounts Receivable, Curriculum for Excellence, Infrastructure Developments — Project Management, Managing and Executing Verification Activity, Product Development Process and Information Management)
- ◆ comments made by the external auditors in their management letters and other reports

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

In August 2011, SQA released accurate results by text message to approximately 30,000 candidates one day earlier than the published date agreed with the Scottish Government as a performance measure for the Main Diet of Certification. All other performance measures were met.

An independent review was commissioned by SQA to investigate the reasons for the early release. This was carried out by Scott-Moncrieff. The scope of the review included SQA's operational practices and processes and the controls in place for the exchange of data between SQA and the external firm contracted to transmit the text messages.

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The Audit Committee considered a report on 14 November 2011 which identified actions to prevent a recurrence of this incident, including:

- ◆ improvement in end-to-end testing
- ◆ a review of the arrangements for transmission of the data file
- ◆ improved quality control mechanisms for file creation and transmission
- ◆ improvement to the means of transmitting the data file to the text-messaging provider

SQA accepted the findings of the review and an action plan to address the recommendations is being implemented.

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

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

Date

11 Independent auditor's report

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

We have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2012 set out on pages 41 to 69. 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 HM Treasury Financial Reporting Manual 2011–12.

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

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's responsibilities set out on page 31, the Accountable Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the body's affairs as at 31 March 2012 and of its net operating costs for the year then ended

Independent auditor's report (continued)

- ◆ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the HM Treasury Financial Reporting Manual 2011–12; and
- ◆ have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

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

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion:

- ◆ the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- ◆ the information given in the Management Commentary and the sections headed: SQA's Operating Environment, SQA's Goals for 2011–12, Financial Performance and The Future, included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

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

S Reid
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

12 Accounts 2011–12

Statement of comprehensive net expenditure

for the year ended 31 March 2012

		2011–12 £'000	2010–11 £'000
	Note		
Expenditure			
Staff costs	3	27,417	20,537
Depreciation and impairment charges	9(ii)	1,646	2,329
Other expenditures	4	35,280	36,113
		64,343	58,979
Income			
Entry charges	5	37,850	38,348
EU funding	6	786	547
Other income	7	8,276	8,269
		46,912	47,164
Net expenditure		(17,431)	(11,815)
Interest (payable)/receivable	8	951	419
Net expenditure after interest		(16,480)	(11,396)
Other comprehensive expenditure			
Impairment of assets held for sale	13	-	(1,413)
Total comprehensive expenditure for the year ended 31 March 2012		(16,480)	(12,809)

The notes on pages 45 to 69 form part of these accounts.

Statement of financial position

as at 31 March 2012	Note	31 March 2012 £'000	31 March 2011 £'000 Restated	31 March 2010 £'000 Restated
Non-current assets				
Property, plant and equipment	9(i)	8,590	5,375	8,382
Intangible assets	10	1,085	726	656
Financial assets	12	387	262	361
Total non-current assets		10,062	6,363	9,399
Current assets				
Assets classified as held for sale	13	850	850	-
Trade and other receivables	14	15,976	16,366	15,895
Financial assets	12	-	112	200
Cash and cash equivalents	15	830	-	-
Total current assets		17,656	17,328	16,095
Total assets		27,718	23,691	25,494
Current liabilities				
Trade and other payables	16	(10,015)	(10,588)	(11,121)
Total current liabilities		(10,015)	(10,588)	(11,121)
Non-current assets plus net current assets		17,703	13,103	14,373
Non-current liabilities				
Provisions for liabilities and charges	17	(411)	(393)	(378)
Defined benefit liability	3	(6,641)	(660)	(17,101)
Total non-current liabilities		(7,052)	(1,053)	(17,479)
Assets less liabilities		10,651	12,050	(3,106)
Taxpayers' equity				
Revaluation reserves		86	92	2,803
General reserve		10,565	11,958	(5,909)
Total taxpayers' equity		10,651	12,050	(3,106)

The financial statements were approved by the Board of Management on 15 August 2012 and were signed on its behalf by:

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority
15 August 2012

The notes on pages 45 to 69 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2012

	Note	2011–12 £'000	2010–11 £'000
Cash flows from operating activities			
Total comprehensive expenditure		(16,480)	(12,809)
Adjustments for non-cash items			
Depreciation		1,646	2,329
Loss on disposal of property, plant and equipment		-	71
Impairment of assets held for sale		-	1,413
Notional Optima rent		1,538	1,538
Movements in working capital			
Decrease/(increase) in trade and other receivables		390	(471)
Less movement in receivables relating to items not through the Statement of Comprehensive Net Expenditure		-	200
Decrease in trade and other payables		(573)	(533)
Movements in provisions and long-term liabilities			
Increase of provisions		18	15
Decrease in defined benefit liability cost		(1,102)	(7,851)
Net cash outflow from operating activities		(14,563)	(16,098)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,263)	(1,189)
Purchase of intangible assets		(957)	(537)
Proceeds of disposal of property, plant and equipment		-	-
Receipts/(payment) of funds transfer		3	(1)
Net cash outflow from investing activities		(5,217)	(1,727)
Cash flows from financing activities			
Additional funding from Scottish Government	18	2,835	8,381
Government funding	18	14,137	8,746
Capital funding	18	3,638	698
Net financing		20,610	17,825
Net increase in cash and cash equivalents in the period		830	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		830	-

The notes on pages 45 to 69 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2012

	Note	Capital Grant Reserve £'000	Revaluation Reserves £'000	General Reserve £'000	Total Reserves £'000
Balance at 31 March 2010		3,470	2,803	(9,379)	(3,106)
Prior Year Adjustment		(3,470)	-	3,470	-
Restated balance at 31 March 2010		-	2,803	(5,909)	(3,106)
Changes in taxpayers' equity for 2010–11					
Net gain on revaluation of investments	12(i)	-	12	-	12
Release of reserves to the General reserve		-	(2,723)	2,723	-
Actuarial gain	3	-	-	8,575	8,575
Unfunded benefits paid		-	-	15	15
Net expenditure after interest		-	-	(12,809)	(12,809)
Total recognised income and expense for 2010–11		-	(2,711)	(1,496)	(4,207)
Scottish Government funding	18	-	-	19,363	19,363
Balance at 31 March 2011		-	92	11,958	12,050
Changes in taxpayers' equity for 2011–12					
Net gain on revaluation of investments	12(i)	-	16	-	16
Release of reserves to the General reserve		-	(22)	22	-
Actuarial (loss)	3	-	-	(7,098)	(7,098)
Unfunded benefits paid		-	-	15	15
Net expenditure after interest		-	-	(16,480)	(16,480)
Total recognised income and expense for 2011–12		-	(6)	(23,541)	(23,547)
Scottish Government funding	18	-	-	22,148	22,148
Balance at 31 March 2012		-	86	10,565	10,651

The notes on pages 45 to 69 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2011–12 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained 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 2011–12 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

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

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

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

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

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

The threshold for capitalising assets is £3,000.

1.3 Depreciation

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

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

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

1.4 Intangible assets

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

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

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

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

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

1.5 Assets classified as held for sale

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

1.6 Investments

Investments in stocks and shares are stated at market value. Revaluation gains are taken to the revaluation reserve in the Statement of Financial Position. Revaluation losses are taken to the revaluation reserve to the extent to which they reverse previously recognised gains and thereafter to the Statement of Comprehensive Net Expenditure.

1.7 Income recognition

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

National Qualifications (NQs)

NQs comprise National Courses, Standard Grades and Units.

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

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

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

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

Higher National Qualifications (HNs)

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

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

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

Vocational Qualifications (VQs)

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

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

Other income is recognised in the period to which it relates.

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.

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Any gain or loss arising on the restatement of such balances is taken to the Statement of Comprehensive Net Expenditure.

1.9 Leases

Rentals payable in respect of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

There are no assets held under finance leases.

1.10 Financial instruments

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

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

1.11 Grants receivable

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

1.12 Provisions

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

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

1.13 VAT

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

1.14 Pensions

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

1.15 Changes in accounting policy

HM Treasury has removed the requirement for a capital grant reserve from 1 April 2011. Government grants are now credited to the general reserve in the year to which they relate (see note 1.11). The removal of the capital grant reserve is a change in accounting policy under IAS 8 'Accounting Policies, Accounting Estimates and Errors'. Comparative figures have been restated to transfer the balance on the capital grant reserve to the general reserve. There is no effect on the Statement of Financial Position and the Statement of Comprehensive Net Expenditure.

1.16 Changes in estimation techniques

There have been no material changes in estimation techniques.

2 Analysis of net expenditure by segment

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

Awarding and related activities

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

Accreditation activities

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

Scottish Survey of Literacy and Numeracy

The Scottish Survey of Literacy and Numeracy is funded by the Scottish Government. SQA is required to account separately for expenditure in this area. The level of grant is based on annual estimates and is agreed each year.

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

	Awarding and related activities £'000	Accreditation £'000	Scottish Survey of Literacy and Numeracy £'000	Total £'000
2011–2012				
Staff costs	26,165	916	336	27,417
Depreciation	1,646	-	-	1,646
Other expenditures	34,877	125	278	35,280
Total expenditure	62,688	1,041	614	64,343
Entry charges	37,850	-	-	37,850
EU funding	786	-	-	786
Other income	8,276	-	-	8,276
Scottish Government funding	20,472	1,046	630	22,148
	67,384	1,046	630	69,060
Funding credited to reserves	(20,472)	(1,046)	(630)	(22,148)
Total income	46,912	-	-	46,912
Net expenditure	(15,776)	(1,041)	(614)	(17,431)

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	Awarding and related activities £'000	Accreditation £'000	Scottish Survey of Literacy and Numeracy £'000	Total £'000
2010–2011				
Staff costs	19,531	894	112	20,537
Depreciation	2,329	-	-	2,329
Other expenditures	35,500	313	300	36,113
Total expenditure	57,360	1,207	412	58,979
Entry charges	38,348	-	-	38,348
EU funding	547	-	-	547
Other income	8,269	-	-	8,269
Scottish Government funding	17,743	1,200	420	19,363
	64,907	1,200	420	66,527
Funding credited to reserves	(17,743)	(1,200)	(420)	(19,363)
Total income	47,164	-	-	47,164
Net expenditure	(10,196)	(1,207)	(412)	(11,815)

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

3 Staff numbers and related costs

Staff costs comprise:

	2011–12 Total £'000	Permanently employed staff £'000	Others £'000	2010–11 Total £'000
Wages and salaries	22,438	20,534	1,904	22,566
Social security costs	1,474	1,474	-	1,476
Other pension costs	3,411	3,411	-	(4,242)
Severance and compensation	167	167	-	810
Sub total	27,490	25,586	1,904	20,610
Less recoveries in respect of outward secondments	(73)	(73)	-	(73)
Total net costs	27,417	25,513	1,904	20,537

The Local Government Superannuation Scheme (LGSS) is a group defined benefit scheme covering employees of the former Strathclyde Regional Council and other admitted bodies. Responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit scheme covering teachers and related occupations and is the responsibility of the Scottish Public Pensions Agency. These arrangements comply with the guidance contained in *Non-Departmental Public Bodies: A Guide for Departments*.

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £3,359,000 (2011: £3,181,000), consisting of £3,250,000 (2011: £3,058,000) to the LGSS and £109,000 (2011: £123,000) to the STSS. Included within other payables (note 16) are outstanding contributions of £361,000 (2011: £359,000) due to the LGSS and £nil (2011: £nil) due to the STSS at 31 March 2012.

Actuarial valuations for both schemes are prepared, with the last LGSS valuation to 2011 and the last STSS valuation being to 2005. Details of these valuations can be obtained from published reports.

The STSS is treated as a defined contribution scheme within these financial statements as the Scottish Public Pensions Agency is unable to provide information to enable SQA to identify its share of the liabilities of the STSS at 31 March 2012. The results of the 2005 valuation have been rolled forward to give a liability of £19.33 billion at 31 March 2008. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates are set by the scheme actuary at a level to meet the cost of pensions as they accrue.

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

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

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

	2011–12	2010–11
	£'000	£'000
Current service cost	3,158	3,421
Interest on obligation	4,028	4,210
Expected return on plan assets	(5,011)	(4,658)
Past service cost/(gain)	143	(7,699)
Losses on curtailments and settlements	-	-
	2,318	(4,726)

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

	2011–12	2010–11	2009–10
	£'000	£'000	£'000
Present value of funded obligations	(80,688)	(71,579)	(80,198)
Fair value of employer assets	74,307	71,188	63,374
Net (under) funding in funded plans	(6,381)	(391)	(16,824)
Present value of unfunded obligations	(260)	(269)	(277)
Net (liability)	(6,641)	(660)	(17,101)
Amounts in the balance sheet:			
Defined benefit liability	(6,641)	(660)	(17,101)
Defined benefit asset	-	-	-
Net (liability)	(6,641)	(660)	(17,101)

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

	2011–12 £'000	2010-11 £'000	2009–10 £'000
Actuarial (loss)/gain arising on the defined benefit obligation	(2,255)	8,134	(30,876)
Actuarial (loss)/gain arising on the fair value of the plan assets	(4,843)	441	14,029
Actuarial (loss)/gain recognised in the Statement of Changes in Taxpayers' Equity	(7,098)	8,575	(16,847)

Average number of persons employed

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

	2011–12 Total	Permanent staff	Others	2010–11 Total
Awarding and related activities	762	597	165	759
Accreditation	24	24	-	23
Scottish Survey of Literacy and Numeracy	9	7	2	9
Total	795	628	167	791

Compensation schemes — exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	7	7
£10,000 – £25,000	-	7	7
£25,000 – £50,000	-	4	4
£50,000 – £100,000	-	-	-
£100,000 – £150,000	-	-	-
£150,000 – £200,000	-	-	-
Total number of exit packages by type	-	18	18
Total cost (£'000)	-	309	309

During the year, SQA operated a voluntary early release scheme for its staff. All departure costs in association with this scheme have been accounted for and paid in full in the year of departure.

4 Other expenditures

	2011–12		2010–11	
	£'000	£'000	£'000	£'000
Appointee fees		12,508		11,973
Business development specialists' fees and expenses		4,698		5,605
Property expenses		4,495		3,707
IT costs		2,582		2,250
Appointee expenses and related costs		2,058		2,263
Postage and telephone		1,629		1,558
Appointee release compensation		1,372		1,608
Staff travel	774		819	
Staff training	184		358	
Staff subsistence	160		374	
Miscellaneous staff costs	153		182	
Catering for internal and examination procedures meetings	49		279	
Staff related costs		1,320		2,012
Assessment stationery and certificates		1,315		1,453
PR, marketing and publications		1,293		1,592
Equipment and supplies		999		813
Question paper production and printing		609		495
Miscellaneous		339		699
Board and committee expenses		63		85
		<u>35,280</u>		<u>36,113</u>

Included within Property Expenses is a notional charge of £1,538,000 (2011: £1,538,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £48,920 (2011: £48,600) relating to external audit fees and £29,250 (2011: £21,856) relating to internal audit fees.

5 Entry charges

	2011–12	2010–11
	£'000	£'000
National Qualifications:		
National Courses and Units	21,225	21,420
SCE Standard Grade	9,920	10,008
Late appeal charges	44	45
	<u>31,189</u>	<u>31,473</u>
Higher National Qualifications	4,425	4,407
Scottish Vocational Qualifications	2,236	2,468
	<u>37,850</u>	<u>38,348</u>

6 EU funding

	2011–12	2010–11
	£'000	£'000
European Social Fund	786	547
	<hr/> 786	<hr/> 547

7 Other income

Commercial testing services	3,088	3,124
Consultancy, secondments and research	2,008	2,567
Streetworks Qualifications Register	1,001	659
Commercial events	872	985
Miscellaneous income	421	322
Royalty income	388	189
Customised award charges	265	213
Replacement certificate charges	211	184
Sale of publications	14	18
Income from investments for unfunded pensions	8	8
Other interest income	-	-
	<hr/> 8,276	<hr/> 8,269

8 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(33)	(29)
Pension provision credit/(cost)	984	448
	<hr/> 951	<hr/> 419

9 Property, plant and equipment

(i)	Leasehold building improvements	Information technology	Motor vehicles	Plant & machinery	Furniture & fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2011	3,188	4,314	72	1,192	419	1,573	10,758
Additions	2,552	71	-	58	37	2,255	4,973
Reclassifications	70	61	-	53	-	(894)	(710)
Disposals	-	(156)	-	(104)	(71)	-	(331)
Revaluations	-	-	-	-	-	-	-
At 31 March 2012	5,810	4,290	72	1,199	385	2,934	14,690
Depreciation							
At 1 April 2011	1,069	2,892	28	975	419	-	5,383
Charged in year	271	676	15	83	3	-	1,048
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(155)	-	(105)	(71)	-	(331)
Revaluations	-	-	-	-	-	-	-
At 31 March 2012	1,340	3,413	43	953	351	-	6,100
Net book value							
At 31 March 2012	4,470	877	29	246	34	2,934	8,590
At 31 March 2011	2,119	1,422	44	217	-	1,573	5,375
Asset financing:							
Owned	4,470	877	29	246	34	2,934	8,590
Finance lease	-	-	-	-	-	-	-
Net book value at 31 March 2012	4,470	877	29	246	34	2,934	8,590
Capital Additions							
Financing:							
Government Grant	2,552	71	-	47	37	1,128	3,835
Core Budget	-	-	-	11	-	1,127	1,138
	2,552	71	-	58	37	2,255	4,973

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	Feuhold land £'000	Feuhold building £'000	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
Cost or valuation									
At 1 April 2010	562	4,510	3,174	3,844	72	1,031	419	2,121	15,733
Additions	-	-	7	351	-	161	-	1,207	1,726
Reclassifications	(562)	(4,510)	7	1,140	-	-	-	(1,684)	(5,609)
Disposals	-	-	-	(1,021)	-	-	-	(71)	(1,092)
Revaluations	-	-	-	-	-	-	-	-	-
At 31 March 2011	-	-	3,188	4,314	72	1,192	419	1,573	10,758
Depreciation									
At 1 April 2010	-	1,970	856	3,161	13	932	419	-	7,351
Charged in year	-	839	213	752	15	43	-	-	1,862
Disposals	-	(2,809)	-	-	-	-	-	-	(2,809)
Revaluations	-	-	-	(1,021)	-	-	-	-	(1,021)
At 31 March 2011	-	-	1,069	2,892	28	975	419	-	5,383
Net book value									
At 31 March 2011	-	-	2,119	1,422	44	217	-	1,573	5,375
At 31 March 2010	562	2,540	2,318	683	59	99	-	2,121	8,382
Asset financing									
Owned	-	-	2,119	1,422	44	217	-	1,573	5,375
Finance lease	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2011	-	-	2,119	1,422	44	217	-	1,573	5,375
Capital Additions									
Financing:									
Government Grant	-	-	7	351	-	161	-	698	1,217
Core Budget	-	-	-	-	-	-	-	509	509
	-	-	7	351	-	161	-	1,207	1,726

(ii) Depreciation and impairment charges

		2011–12	2010–11
		£'000	£'000
	Note		
Depreciation charge for the year	9(i)	1,048	1,862
Amortisation charge for the year	10	598	467
Impairment charge		-	-
Total charge for the year		1,646	2,329

10 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
Cost or valuation				
At 1 April 2011	199	1,383	5,528	7,110
Additions	-	-	247	247
Reclassifications	203	48	459	710
Disposals	-	-	(5)	(5)
At 31 March 2012	402	1,431	6,229	8,062
Amortisation				
At 1 April 2011	170	1,243	4,971	6,384
Charged in year	74	108	416	598
Disposals	-	-	(5)	(5)
At 31 March 2012	244	1,351	5,382	6,977
Net book value				
At 31 March 2012	158	80	847	1,085
At 31 March 2011	29	140	557	726
Internally generated	-	-	-	-
Other	158	80	847	1,085
	158	80	847	1,085

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

Cost or valuation				
At 1 April 2010	164	1,383	5,029	6,576
Additions	-	-	-	-
Reclassifications	35	-	502	537
Disposals	-	-	(3)	(3)
At 31 March 2011	199	1,383	5,528	7,110
Amortisation				
At 1 April 2010	146	1,127	4,647	5,920
Charged in year	24	116	327	467
Disposals	-	-	(3)	(3)
At 31 March 2011	170	1,243	4,971	6,384
Net book value				
At 31 March 2011	29	140	557	726
At 31 March 2010	18	256	382	656
Internally generated	-	-	-	-
Other	29	140	557	726
	29	140	557	726

11 Financial instruments

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

12 Financial assets

	Note	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Non-current assets				
Investments for unfunded pensions	12(i)	387	262	361
Current assets				
Investments for unfunded pensions	12(i)	-	112	-
Investment in Awards UK Ltd	12(ii)	-	-	200
		-	112	200

(i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2010	361	-	361
Additions	-	8	8
Disposals	-	(7)	(7)
Revaluation	12	-	12
Market value at 31 March 2011	373	1	374
Additions	108	119	227
Disposals	(110)	(120)	(230)
Revaluation	16	-	16
Market value at 31 March 2012	387	-	387
Market value of investments maturing:			
Within 1 year	-	-	-
Outwith 1 year	387	-	387
Market value at 31 March 2012	387	-	387

(ii) Awards UK Limited

SQA held 50% of the issued share capital of Awards UK Limited, in the form of 200,000 £1 'B' ordinary shares. London Qualifications Limited (formally Edexcel Enterprises Limited), a wholly owned subsidiary of Edexcel Foundation, held the other 50% in the form of £200,000 £1 'A' ordinary shares.

Awards UK Limited ceased trading at 31 March 2009 on the agreement of both parties. A liquidator was appointed in 2010–11 and the company was wound up during the course of that year.

13 Assets classified as held for sale

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Market Value brought forward	850	-	-
Feuhold land and building value at reclassification date	-	2,263	-
Impairment	-	(1,413)	-
Market Value carried forward	850	850	-

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', SQA's feuhold land and building representing its premises at Ironmills Road were reclassified as assets held for sale as at 31 March 2011. A closing date of 17 May 2011 was set and negotiations have been ongoing with the preferred bidder since then, with a minimum guaranteed price of £0.85 million being agreed in principle.

14 Trade and other receivables

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:			
Trade receivables	3,384	3,002	3,664
Other receivables	146	521	29
Prepayments and accrued income	12,446	12,714	12,202
	15,976	16,237	15,895

Amounts falling due after more than one year:

Prepayments and accrued income	-	129	-
	15,976	16,366	15,895

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

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Other central government bodies	84	7	10
Local authorities	61	40	41
NHS trusts	1	5	-
	146	52	51

Included within trade receivables is a bad debt provision of £140,000 (31 March 2011: £140,000; 31 March 2010: £50,000). During the year £41,000 of bad debt was written off (2011: £77,000; 2010: £19,000).

Included within other receivables are loans to staff amounting to £28,000 (31 March 2011: £27,000; 31 March 2010: £24,000).

15 Cash and cash equivalents

	2012	2011	2010
	£'000	£'000	£'000
Balance at 1 April	-	-	-
Net change in cash and cash equivalent balances	830	-	-
Balance at 31 March	<u>830</u>	<u>-</u>	<u>-</u>

The following balances at 31 March were held at:

	31 March	31 March	31 March
	2012	2011	2010
	£'000	£'000	£'000
Commercial banks and cash in hand	830	-	-
Short term investments	-	-	-
	<u>830</u>	<u>-</u>	<u>-</u>

16 Trade and other payables

	31 March	31 March	31 March
	2012	2011	2010
	£'000	£'000	£'000
Amounts falling due within one year:			
VAT	27	24	10
Other taxation and social security	2,906	2,723	2,736
Trade payables	317	840	2,153
Other payables	408	404	370
Accruals and deferred income	6,357	6,597	5,852
	<u>10,015</u>	<u>10,588</u>	<u>11,121</u>

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

	31 March	31 March	31 March
	2012	2011	2010
	£'000	£'000	£'000
Local authorities	6	3	2
	<u>6</u>	<u>3</u>	<u>2</u>

17 Provisions for liabilities and charges

	SQA unfunded pensions £'000
Balance at 1 April 2010	378
Provisions not required written back	-
Provisions utilised in the year	(14)
Unwinding of discount	29
	<hr/>
Balance at 31 March 2011	393
Provisions not required written back	-
Provisions utilised in the year	(15)
Unwinding of discount	33
	<hr/>
Balance at 31 March 2012	411

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.

18 Government funding

	2011–12 £'000	2010–11 £'000	2009–10 £'000
Scottish Government Scottish Survey of Literacy and Numeracy	630	420	428
Scottish Government accreditation	1,046	1,200	1,200
Scottish Government development	12,461	7,126	5,836
	<hr/>		
	14,137	8,746	7,464
Additional funding received	2,835	8,381	7,438
Capital funding received	3,638	698	1,018
Notional funding received	1,538	1,538	1,538
	<hr/>		
	22,148	19,363	17,458

19 Commitments under leases

Operating leases

The Scottish Government entered into a 15 year lease in September 2005 with the owners of the Optima Building in Glasgow and has sub-leased part of that accommodation to SQA. The Scottish Government pays the Optima rent and landlord's management charges for the Optima Building without recourse to SQA. The treatment of this arrangement shows the notional cost of the Optima rent included in property expenses (note 4) and the notional refund included in government funding (note 18).

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

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Obligations under operating lease for the following periods comprise:			
Land and buildings:			
Not later than one year	-	-	-
Later than one year but not later than five years	-	-	-
Later than five years	9,189	10,337	11,486
	<hr/> 9,189	<hr/> 10,337	<hr/> 11,486

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

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

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Obligations under operating lease for the following periods comprise:			
Land and buildings:			
Not later than one year	-	-	-
Later than one year but not later than five years	-	-	-
Later than five years	14,524	-	-
	<hr/> 14,524	<hr/> -	<hr/> -

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In addition, SQA signed a 5 year extension from 1 April 2012 with the Scottish Mining Trust for the lease of property at Newtongrange. Obligations under this lease amount to £119,000, all later than one year but not later than five years.

There are no other operating leases.

Finance leases

There are no finance leases in operation.

20 Contingent liabilities

There were no material contingent liabilities at 31 March 2012 (2011: £nil; 2010: £nil).

21 Events post-date of Statement of Financial Position

The sale of SQA's premises at Ironmills Road was concluded on 31 May 2012. The final selling price was £0.85 million. No adjustment is required to the accounts as this is the carrying value of the property as at 31 March 2012.

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

22 Related-party transactions

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

The SGSD is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, there were no balances outstanding (2011: £nil). In addition, SQA has had material transactions with the Scottish Government Lifelong Learning Division, Employability and Skills Division (SGLLD). At the year end, there were no balances outstanding (2011: £nil).

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

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Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due to/(from) SQA at 31 March	
	2011–12 £'000	2010–11 £'000	2011–12 £'000	2010–11 £'000	2011–12 £'000	2010–11 £'000
Cardonald College						
SQA Board Member, Susan Walsh, holds the position of Principal at Cardonald College	341	362	25	4	-	-
Galashiels Academy						
SQA Board Member, Kenny McKay, holds the position of Head Teacher at Galashiels Academy	84	76	-	-	-	-
Historic Scotland						
SQA Director, Linda Ellison, held the position of Finance Director at the agency	-	-	21	-	-	-
Jordanhill School						
SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School	54	57	4	-	-	-
NHS Education for Scotland						
SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	18	-	-	-	-	-
Scotland's Colleges						
SQA Board Member, Susan Walsh, holds the position of a Lead Principal for Scotland's Colleges	-	1	115	50	-	11
Stevenson College						
SQA Director, Maidie Cahill, holds the positions of Board Member and Vice-Chair at Stevenson College	338	311	231	40	-	-
Stirling Council						
SQA Chairman, Graham Houston, is a councillor with Stirling Council	504	493	-	5	-	-
St George's School for Girls						
SQA Board Member, Prof. John Simmons is a member of the school's council, its governing body	49	-	6	4	-	-

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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: 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 £10,000 (2011: £61,000) to the SCQF during the year. At the year end, £nil (2011: £13,000) remained outstanding. In addition £12,000 (2011: £nil) 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 (FRcM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006