



# Annual Report and Accounts 2013–14

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

We are delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2013–14, highlighting another successful year for the organisation in spite of a growing financial challenge. Important factors in this success have been partnership, engagement, and consultation — all of which have helped us deliver our many commitments to users and stakeholders, and to the people and economy of Scotland.

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

One major ongoing responsibility has been our contribution to the development and implementation of *Curriculum for Excellence* through the provision of a wide range of qualifications and assessments to meet the diverse needs of all learners. During the development of each qualification we have consulted widely with practitioners and subject experts to create the best qualifications possible.

This year SQA has worked with schools, colleges and other partners to implement the new National 1 through to National 5 qualifications, which were introduced in session 2013–14. This has been a challenging year for SQA and for centres. SQA has responded to additional demands during this first year, providing ongoing support to schools and colleges and continuing to run information events for teaching staff across Scotland.

The regionalisation of colleges across Scotland has continued during the past year, and SQA has engaged strongly with the sector. We have sought to understand colleges' requirements as they bring together different institutional models, and to ensure that we continue to provide high quality, recognised qualifications that enable college learners to progress to employment or further study.

SQA qualifications and services continued to be in high demand, not only in Scotland but also in the rest of the UK and internationally, and we continue to build a strong track record, securing and delivering a wide range of contracts and consultancy projects. Internally, we are working towards our goal to offer customers better service by delivering efficient, scalable and new enabling approaches through the use of technology to digitally transform our organisation.

This work will ensure that SQA continues to deliver what learners will need in the future.

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**

**20 August 2014**

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

**20 August 2014**

# 1: Strategic report

SQA is the national accreditation and awarding body in Scotland. The Education (Scotland) Act 1996 sets out SQA's functions and the governance arrangements to oversee SQA's distinct accreditation, regulatory and awarding functions. SQA is sponsored by the Scottish Government's Learning Directorate.

In its accreditation role, it accredits vocational qualifications that are offered across Scotland, including Scottish Vocational Qualifications, and approves awarding bodies that wish to award them.

SQA is the statutory awarding body for qualifications in Scotland. Its duties are to develop, validate, quality assure and award a national framework of qualifications for Scotland. In addition, SQA has a statutory duty as the regulator for National Qualifications in Scotland as defined by the Equality Act (2010).

As an awarding body, SQA works with schools, colleges, universities, industry, and government, to provide high quality, flexible and relevant qualifications. It strives to ensure that its qualifications are inclusive and accessible to all, that they recognise the achievements of learners, and that they provide clear pathways to further learning or employment.

## SQA qualifications

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

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

To achieve this, SQA qualifications must:

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

There are SQA qualifications for everyone:

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

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

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

## **SQA Accreditation**

SQA also has a responsibility, through its accreditation function, to set and maintain standards for awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications and other licence to practice qualifications. The accreditation function is a discrete and autonomous part of SQA, and is accountable to the Accreditation Committee and then to Scottish Government. The Accreditation Committee is a statutory committee having been established by the Education (Scotland) 1996 Act.

You can read more about qualifications developments and SQA's work in accreditation in 2013–14 in the Management Commentary (section 1.3, Strategic Goal 4).

## **1.1: SQA's operating environment**

An important focus for SQA during this period, and in the future, continues to be working with partners and other stakeholders to develop and deliver significant 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 skills and learning that will support them through recession and into growth. SQA will continue to work towards delivery of its commitments to support sustainable economic growth.

It is also imperative that SQA continues to seek every opportunity to maximise efficiency, effectiveness and value for money in developing and delivering those services. There will be further challenges in the future, and SQA will continue to identify innovative approaches.

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

technology will support increasing demand for online, on-demand and at-a-distance delivery of learning and assessment to support learners' needs.

SQA is continuing to work in partnership to promote Scotland's ability to maximise the 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.

## **1.2: How SQA operates**

As part of the wider Scottish education, skills and training sector, SQA works in 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 how its responsibilities and commitments to Scottish Government contribute to the National Outcomes.

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

## **1.3: Management commentary**

SQA's Corporate Plan 2013–16 sets SQA's strategic direction for the coming years. It covers activities for both SQA's accreditation and awarding functions, and links the organisation's strategic goals to the Scottish Government's expectations of SQA and to the National Outcomes. The strategic goals take account of the context of the environment in which SQA operates, and are set by the SQA Board of Management. The strategic drivers that were identified when developing the Corporate Plan 2013–16 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

# **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**

## **2013–14 Qualifications development**

### **Schools**

Curriculum for Excellence (CfE) is delivering a fresh approach to learning and teaching. This requires new assessment approaches and qualifications to ensure continuity as young people move from the broad, general education, through the ‘senior phase’ of school.

CfE is delivered in partnership with others in the sector, including the Scottish Government, Education Scotland, the Association of Directors of Education Scotland (ADES), schools and colleges. SQA’s role is to lead the development and implementation of new qualifications to support Curriculum for Excellence. SQA is developing over 250 National Courses and Awards (from National 1 to Advanced Higher), and their associated assessments.

Introduction of the next generation of National Qualifications started in academic session 2013–14, with the implementation of National 1 to National 5. For sessions 2013–14 and 2014–15, the new National 4 and National 5 will be delivered alongside existing qualifications at Intermediate 1 and Intermediate 2. The new Higher Courses will be introduced in session 2014–15, and will be delivered alongside the current Higher.

### **Colleges**

SQA has worked in partnership with colleges to deliver National Certificates (NCs) and National Progression Awards (NPAs) at SCQF levels 2–6. These provide progression routes from non-advanced levels into employment and to Higher National Certificates/Diplomas (HNC/Ds) 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.

SQA continues to review and revise its portfolio of qualifications to ensure it is up-to-date, meets the needs of industry, and helps people progress into Higher education, revising or introducing more than 100 qualifications at SCQF levels 4 to 10 during the year

Working with colleges, articulation hubs<sup>1</sup>, universities and other stakeholders, SQA has successfully completed the development stage of a pilot project funded by the Scottish Funding Council. The project aimed to identify, develop and pilot enhancements to Higher National Qualifications that would assist learners’ and colleges’ preparation for articulation to

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<sup>1</sup> The Scottish Funding Council funds six regional and one national **articulation hubs**. The hubs are each centred on a lead university and work with a range of stakeholders, including SQA, towards increasing the opportunities for students to articulate from a Higher National Certificate or Diploma to university. They also aim to increase the retention of students once they make the transition from college to university.



degree study. This supports the Scottish Government priority of increasing articulation and wider access to Higher Education.

## **Industry**

SQA continues to award a wide range of Scottish Vocational Qualifications to support people in training and employment in industries in Scotland. This includes ongoing support for qualifications that form part of the government's Modern Apprenticeship programme.

SQA has introduced, reviewed or revised over 90 vocational qualifications to meet the needs of the Scottish economy and learners in Scotland. In addition SQA has introduced, reviewed or revised over 80 Awards, Certificates and Diplomas to meet needs within and outside Scotland. In all of our work on vocational qualifications we engage with industry to understand the requirements for our qualifications and where appropriate embed industry standards in these qualifications.

## **Qualifications delivery**

### **2013 Certification**

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

SQA met all the 2013 performance targets for NQ certification. A total of 150,986 certificates were issued for delivery on 6 August 2013. Candidates were also given the opportunity to receive their results by e-mail and text.

SQA provided a telephone support line for Scotland's learners from 6–9 August 2013 to provide advice and deal with queries from candidates and parents. It worked closely with Skills Development Scotland to ensure that the support and advice offered were consistent.

The telephone lines opened on 6 August 2013 at 08:00 and closed at 17:00 on Friday 9 August 2013. A total of 3,476 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 2013–14, 198,419 award and unit certificates were sent to candidates and centres in Scotland, across the UK and throughout the world.

### **Sourcing and training appointees and nominees**

Around 15,000 teaching professionals and specialists support SQA operations annually. Their professional input defines and supports the development, assessment and quality assurance of our qualifications.

In 2013–14, SQA worked in partnership with local authorities to identify nominees and secure their release as required.

SQA is committed to delivering training programmes and enhanced Continued Professional Development (CPD) to ensure that appointees and nominees are fully equipped to undertake the various roles to support our activities, their schools, local authorities, and candidates. Positive feedback has been received from appointees/nominees on training programmes.

In particular, in 2013–14, SQA delivered:

- ◆ A structured and robust training programme to nominees, Team Leaders, Senior Team Leaders and Principal Verifiers to support the new Quality Assurance (QA) approach. Approximately 2,000 nominees/appointees undertook this training, and over 1,300 took part in live QA activity.
- ◆ A training programme to support Higher Item Writers/Item Checkers and Advanced Higher Principal Assessors.
- ◆ E-marking training for Principal Assessors, Senior Team Leaders and Team Leaders in preparation for 2015 marking activities.

### **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.

### **New National Qualifications**

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

In 2013–14 SQA provided continuous support and guidance to centres. This included National Co-ordinator Events and webinars to roll out and promote the quality assurance approach and its supporting processes. In addition, SQA worked with local authorities to run subject-specific continuing professional development (CPD) on the standards of the new qualifications. To date, 390 subject CPD events have been run for local authorities and sectors.

During the reporting period, SQA undertook two rounds of Unit verification (visiting and event). After each round, SQA published 100% of verification outcome reports alongside Subject-Specific and Key Messages. As a result of the experience gained from undertaking the first rounds of verification, and based on feedback from stakeholders, we have modified our approach to quality assurance.

### **HN and vocational qualifications**

The approach to quality assurance of HN and vocational qualifications completed its third year of introduction and is now considered mainstream. All centres offering these qualifications are now quality assured using this approach with the exception of a small number of colleges still going through regionalisation.

During this third year, there has been a significant growth in the proportion of centres that now view this approach to quality assurance as being more effective than previous approaches. The reasons for this include:

- ◆ there is greater clarity of expectations
- ◆ the approach supports wider continuous improvement processes in a measurable way
- ◆ the criteria are enablers that support professional conversations during verification activities

## **Goal 2: Provide leadership and expertise in a range of areas including assessment, qualification development and quality enhancement**

### **Code of Practice and standards**

As a self-regulating awarding body, SQA is required to demonstrate how it ensures that its qualifications are of a high quality and fit for purpose, and that the delivery and assessment of these qualifications are monitored and maintained to a consistently high standard.

To meet these requirements, a set of Governing Principles was developed as a way of showing how SQA meets its statutory duties and ensures the quality and standards of its qualifications and assessments. The principles were incorporated into SQA's Code of Practice, which describes in greater detail how SQA maintains its qualification and assessment standards. Work is now underway to develop a framework for self-evaluation based on the governing principles.

Development of the Code of Practice involved a review of a number of other documents. Engagement on the Governing Principles and Code of Practice was carried out through officer groups, the Advisory Council and Qualifications Committee.

The document 'SQA Awarding Body Governing Principles and Code of Practice' has been developed and is due to be published on SQA's website.

### **Standards**

This year's standards monitoring programme looked at Course assessments from 10 National Courses and Units from two Higher National Qualifications. A report on findings will be published towards the end of the year.

In addition to the annual standards monitoring programme, a small research activity was undertaken to compare the size and demand of eight new National Courses with predecessor Standard Grade and Intermediate Courses.

### **Assessment**

SQA Academy courses on designing inclusive assessment, and on principles and practice in assessing SQA qualifications, are being developed to assist practitioners in understanding assessment issues.

### **Goal 3: Support the Scottish Government's agenda to maximise the benefits of international engagement**

#### **International engagement activities**

SQA supports the Scottish Government's international strategy and its plans to engage with specific countries and to promote Scottish education and Scotland worldwide.

SQA has offered increased opportunities to individual learners and workforces in many regions of the world by expanding its provision of qualifications.

The reputation of Scotland's education and training system has also been enhanced by SQA's delivery of a number of consultancy projects, which helped to 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.

SQA worked collaboratively with other agencies, including Scottish Development International, the British Council and other stakeholders, to ensure that the needs of international learners and clients were met.

SQA also established a partnership project to work with higher education institutions and universities globally to maximise the international mobility of students. The project's aim is to develop formal articulation and progression routes for candidates completing Higher National Diploma (HND) programmes.

Another way SQA promoted Scotland and its education system was by hosting and participating in numerous study visits to Scotland from overseas delegates seeking to learn about and share good practice.

SQA continued to contribute to, develop and learn from international activities and so develop future skills and expertise which can help ensure the sustainability of Scotland's international engagement strategy.

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

Having launched its Regulatory Principles in April 2012, SQA Accreditation carried out a full review of the implementation of the principles using feedback from its stakeholder survey, from awarding body audits and also from its own staff. The review identified that the principles could be further enhanced, streamlined and re-ordered to reflect the main activities carried out by awarding bodies. This resulted in a refreshed set of principles, which were consulted on in the latter part of 2013. Feedback was very supportive, and a final revised set of principles was launched in March 2014.

In addition to the principle review, the approval process for awarding bodies was reviewed. More work will be done in 2014–15 to make further amendments to it, with a view to strengthening the process.

SQA Accreditation continues to work with the UK Commission for Employment and Skills on the Universal Services funding arrangements for the development of National Occupational Standards and Scottish Vocational Qualification structures. As with the first year of this funding strategy, 2013–14 saw a high volume of projects being submitted for approval, albeit less than in the first year (58% of projects for 2013–14 were submitted for approval between December and January, compared with 75% in same period in the previous year). Again, SQA Accreditation staff were able to manage the activity ensuring that all projects were approved.

More information on the work of SQA Accreditation is available in the SQA Accreditation Annual Review <http://www.sqa.org.uk/sqa/70310.html>.

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

### **Customer and stakeholder relations**

SQA remains responsive to the changing contexts, needs and demands faced by its customers and stakeholders. This includes CfE implementation and college regionalisation in Scotland; reforms in vocational education in other parts of the UK; and the continued need for qualifications and capacity-building internationally.

SQA continued to engage with its wide range of customers and stakeholders in all its markets through dedicated account management; consultation; and communication. For example, SQA has regular meetings with the Association of Directors of Education in Scotland (ADES), School Leaders Scotland (SLS), the Scottish Council for Independent Schools (SCIS), the Educational Institute of Scotland (EIS), industry and professional bodies and colleges.

SQA's qualifications staff work with sector/subject staff in schools, colleges and Employer and Training Providers (ETPs). In addition, they regularly liaise with key industry and professional bodies.

SQA's account managers and teams worked in partnership with centres, customers and stakeholders to provide support, advice and assistance, as required.

### **Investment in technology to support assessment, learning and quality assurance**

Over the past year, SQA continued to invest in and to make greater use of technology to support assessment, learning and quality assurance for our qualifications. The key driver for this activity was to support increased demand for online, on-demand and at-a-distance services. Greater use of ICT can enhance the quality and efficiency of the assessment process for learners, centres and SQA.

## **Goal 6: Continue to develop SQA as a leading public body and key player in the education, skills and training landscape**

SQA plays a crucial role in ensuring the skills and education systems in Scotland are effective. To do so, SQA works closely with other stakeholders in Scotland and beyond. In

particular, SQA works very closely with both Education Scotland and the Scottish Government in implementing Curriculum for Excellence, ensuring there is a suite of new national qualifications created to support Scotland's new curriculum and deliver success for Scotland.

SQA also works closely with other key stakeholders, such as the Convention of Scottish Local Authorities (COSLA), SCIS, ADES, teaching unions, SLS and colleges, and works hard to build confidence and trust in the new national qualifications in the broader community.

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

Of course, SQA also works with a wide range of employers, employer groups, training providers and public bodies — often acting as the conduit to bring a range of parties around the table to act in concert to make progressive change for Scotland.

### **Corporate social responsibility**

In recognition of our wider role in the community and as a leading public body, SQA engages in a range of Corporate Social Responsibility (CSR) initiatives covering the four CSR 'pillars', which are community, environment, customers and staff. Examples of CSR initiatives include staff volunteering to help children learn to read, development of a detailed carbon management plan, environmental awareness days, and the recruitment of four modern apprentices.

### **Statutory responsibilities**

SQA ensures that it complies with all statutory instruments relating to employment, equalities, data protection, and freedom of information and public records.

### **Shared services**

Collaboration and integration of services are key elements of Scottish Government's public sector reform and efficiencies agenda. In support of this agenda, SQA provides strategic and operational HR support to the Scottish Funding Council.

### **SQA staff**

SQA recognises the immense contribution made by its staff. The HR strategy is designed to ensure that we have people with the right skills and behaviours in the right place at the right time.

Building on our values of 'trusted, progressive and enabling', the HR strategy has four key strands:

- ◆ Organisational structure: ensuring SQA is in the right shape as CfE migrates towards business as usual and progresses its digital transformation objectives.
- ◆ Working patterns and styles which support business priorities: developing ways of working which enable SQA to respond quickly to market pressures and keep pace with growth.

- ◆ Developing skills/transforming behaviours: giving staff the necessary development to enable them to operate at the top of their game with an agile change-ready mind-set.
- ◆ Employee engagement: providing an environment which encourages staff to give of their best and be proud to work for SQA.

To help achieve the HR strategy SQA works collaboratively with its trade unions through the Partnership Group. This group is made up of members of the HR team, the executive team and SQA's recognised trade unions, UNITE and UNISON.

## **Equality in SQA**

SQA is committed to integrating equality across all its functions covering all of the protected characteristics defined in the Equality Act 2010.

The Equality Strategy 2013–17 presents SQA's Equality Outcomes. Progress against achieving these outcomes includes:

**Qualifications and assessment:** SQA's Equality Review of Qualifications process provides the mechanism to ensure that SQA fully considers and, where appropriate, consults on any equality issue identified in any of its qualifications. National 3, National 4, National 5, Higher and Advanced Higher Courses have been reviewed in anticipation of their implementation. We intend to roll out the process for all other SQA qualifications in August 2014.

**Two Ticks Disability Scheme:** In August, SQA received full accreditation to the 'Two Ticks' Disability Employment Scheme. The scheme is awarded by Jobcentre Plus to employers who meet five commitments regarding the employment, retention, training and career development of disabled employees.

## **Goal 7: Continue to develop a business model that enables SQA to achieve self-financed status**

SQA has an objective, set by the Scottish Government, to achieve self-financed status by 2016–17, and the organisation continues to work towards this goal by focusing on income-generation in Scotland, in the Rest of the UK, and in international markets.

SQA continued to build its presence and brand in markets outside Scotland by increasing the number of centres offering SQA qualifications and promoting a greater range of qualifications to existing centres. In the services area, SQA continued to deliver services and projects on behalf of organisations, institutions, and government agencies. At the end of 2013, SQA commenced activity to promote a wide range of services directly to employers and employer representatives.

Strong engagement and partnership activities with stakeholder organisations and institutions also continued, with a focus on using partnership activity to enhance products and customer services.

As a result, SQA established new relationships with centres in a range of countries. It successfully implemented new contracts and projects, and retained and extended existing ones. Feedback from customers in SQA's wider markets has been very positive.

## **Transformational change portfolio**

We have identified and prioritised the transformational change portfolio required to support SQA's Corporate Goals; ensuring we do the right things in the right order.

Key activities include the extension of e-marking capability, the introduction of the new Results Services, and improvements to our invoicing system.

We have also achieved better integration of Portfolio and Corporate Planning.

## **1.4: Financial performance**

### **Financial overview**

The results for the year to 31 March 2014 are contained in the attached accounts (see section 7), which have been prepared in accordance with the 2013–14 *Government Financial Reporting Manual*.

2013–14 was the first year (of three), of implementation of Curriculum for Excellence (CfE). It heralded the introduction of the new National 4 and National 5 qualifications. The programme will see the introduction of the new Higher and Advanced Higher in the next two years.

The way in which qualifications are delivered, quality assured and assessed under CfE has changed, with a greater proportion of SQA's work activities occurring throughout the academic year. In line with this change a higher proportion of the income from entry charges for the new qualifications has been recognised in the annual accounts. As a result, the level of income accrued has increased by £5.8m. The impact of this increase in income for the year is a reduction in the reported Net expenditure after interest, and an increase in Prepayments and accrued income (note 13). This accounting adjustment has no impact on SQA's cash balances or on the grant requirement from the Scottish Government. The income recognition policy is detailed in note 1.7 to the accounts.

### **Income**

SQA's income is generated from charging for the delivery of its products and services. Total income of £52.9m was obtained in 2013–14, being entry charges £45.6m (2012–13 £39.7m) and other income £7.3m (2012–13 £6.7m).

Entry charges income in Scotland is higher than the previous year by £5.5m. Of this, £5.8m is due to the way in which income from CfE is recognised, as outlined above. This is partly offset by £0.3m less income from fewer overall candidate entries. There has been income growth in the Rest of UK, and the International Awarding markets of £0.5m. Contracts income and International Consultancy income have also increased from the previous year by £0.5m.

### **Expenditure**

Operational costs were £71.6m, being staff costs £30.5m (2012–13 £27.6m); other expenditure £38.6m (2012–13 £37.6m); and depreciation £2.5m (2012–13 £2.5m).



The increase in staff costs is attributable to an increase in the costs of wages and salaries from the impact of the pay award and an increase in headcount, mainly for Curriculum for Excellence and income-generation activity. Pension costs have increased as a result of the actuarial revaluation of the defined benefit liability and from the impact of legislation to automatically enrol all eligible staff into SQA's pension scheme. Other expenditure has increased mainly from increased activity for Curriculum for Excellence and income-generation activity.

## **Property, plant and equipment**

Expenditure on capitalised property, plant and equipment during the period totalled £0.434m. This was primarily used to purchase IT equipment (£0.121m) and to develop assets under construction (£0.186m).

## **Intangible assets**

Expenditure on capitalised intangible assets during the period totalled £0.273m. This was primarily used to purchase IT software (£0.232m) and to purchase licences (£0.41m).

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

Statements of expenditure for 2013–14 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 in each financial year in support of the Scottish Government's efficiency agenda. For the financial year 2013–14 SQA had an efficiency savings target of £0.4m and realised actual savings of £0.2m.

The original target included savings in staff costs of £0.2m, which have not been realised, mainly as staff numbers have increased to support Curriculum for Excellence activity and to invest in income-generating activity. The savings achieved are from more effective use of technology and business assets, and from improving business processes and working practices. In general, efficiency savings are achieved by embedding a culture of efficiency across the organisation and by ensuring that there is no reduction in outputs or quality of service as a result of achieving these efficiencies.

## 1.5: The future

The Corporate Plan 2014–17 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 mission statement and strategic goals support the Scottish Government’s National Outcomes.

SQA’s purpose is to provide products and services in skills, training and education which positively impact on individuals, organisations and society.

SQA’s Vision is: ‘We will digitally transform our organisation to offer customers better service by delivering efficient, scalable and new enabling approaches.’

SQA’s strategic goals for 2014–17 are:

- 1 Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy.
- 2 Provide leadership and expertise in a range of areas including assessment, qualification development and quality enhancement.
- 3 Support the Scottish Government’s agendas to maximise the benefits of international engagement and co-operation.
- 4 Deliver high-quality, continually improving, efficient and responsive services to our customers.
- 5 Continue to develop SQA as a leading public body and key player in the education, skills and training landscape
- 6 Continue to pursue a business model that would enable SQA to achieve self-financed status, and invest in and improve the Education and Skills system.
- 7 Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA.
- 8 Independently accredit, quality assure and regulate approved Awarding Bodies and qualifications thereby safeguarding the interests of learners, employers, parents, funding bodies, providers and the Scottish Government.

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

**20 August 2014**

## 2: Directors' report

### Directors and their interests

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

#### Chairman

Graham Houston

#### Chief Executive

Dr Janet Brown

#### Non-Executive Board Members

Jim Edgar

Willie Gallagher (term of appointment ended 25.6.13)

Kenny McKay

Raymond O'Hare

Roger Stewart (commenced appointment 1.5.13)

Dr Paul Thomson

Susan Walsh

Carole Wilkinson

#### Executive Management Team

Maidie Cahill

Stuart Davidson (commenced employment 1.3.14)

Linda Ellison

Rob Gibson (employment ended 30.6.13)

Eric Martinez

Karen McCallum (employment ended 31.8.13)

John McMorris

Dr Gill Stewart

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

### Conflicts of interest procedures

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

## **Attendance management**

SQA accepts that employees will be prevented from attending work due to illness or injury from time to time. Although the organisation recognises that employees need to be properly supported during absences, our priority is to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the organisation and to effectively manage sickness absence. To achieve this balance, working with our Occupational Health Advisors, we take a positive and pro-active approach to attendance management. We also offer a range of services that staff can access to help them with their own well-being.

These include:

- ◆ Advising all employees and line managers of their roles and responsibilities in managing absence through appropriate training, guidance and support
- ◆ Monitoring and analysing absence and providing useful Management Information
- ◆ Supporting employees with regular short term absence to improve their level of attendance
- ◆ Assisting employees on long term absence to return to work successfully via individually tailored return to work plans
- ◆ Allowing staff to self-refer to our Occupational Health Advisor on a confidential basis
- ◆ Providing a number of annual 'Life Style Health' checks to staff providing information on height, weight, body mass index, cholesterol and blood pressure
- ◆ Offering sessions to staff to help them with their own wellbeing at work, including those on Managing Stress or Mindfulness
- ◆ Providing access to a confidential Employee Assistance scheme to provide advice or counselling when dealing with issues of a personal, financial or legal matter

In 2013–14, an average of 11.3 days (including leavers) was lost per staff year (11.5 days in 2012–13).

## **Auditors**

The Auditor General for Scotland has appointed KPMG LLP to undertake the audit for the year ended 31 March 2014.

## **Payments to suppliers**

SQA aims to pay suppliers within 10 days of receipt of a valid invoice. Performance against this aim during 2013–14 was 98% (2012–13: 93%) of suppliers being paid within 10 days.

## **Pension deficit**

SQA has reported a pension deficit of £15.487m in the annual accounts under IAS 19, the IFRS that 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.

## **Personal data related incidents**

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2013–14, we had no reported losses of personal data.

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

**20 August 2014**

## 3: Remuneration report

### 3.1: 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.

### 3.2: 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 2013 are based on full-time equivalent pay as at 31 March for LGPS (see below) and on full-time equivalent pay as at 1 April for the Scottish Teachers' Superannuation Scheme (see below). For 2013–14 employer's contributions of £3,780,551.41 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay and 14.9% for SPPA pensionable pay.

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

#### Strathclyde Pension Fund contribution rates 2013–14

Pay tranche	Contribution rate paid on that tranche
Up to and including £19,800	5.50%
Above £19,800 and up to £24,200	7.25%
Above £24,200 and up to £33,200	8.50%
Above £33,200 and up to £44,200	9.50%
Above £44,200	12.00%

## Scottish Teachers Superannuation Scheme contribution rates

Full-time equivalent pensionable pay	Contribution rate 2013–14
Up to £14,999	6.4%
£15,000 - £25,999	7.0%
£26,000 - £31,999	7.9%
£32,000 - £39,999	8.8%
£40,000 - £44,999	9.2%
£45,000 - £74,999	10.1%
£75,000 to £99,000	10.6%
£100,000 and above	11.2%

### 3.3: 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.

### 3.4: 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 2013–14 were:

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

### 3.5: 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.

	2013-14				2012-13			
	Salaries and other payments	Benefits in kind	Pension	Total	Salaries and other payments	Benefits in kind	Pension	Total
	£'000	£	£	£'000	£'000	£	£	£'000
<b>Chairman</b>								
Graham Houston	10-15	1,400 <sup>1</sup>	-	<b>10-15</b>	10-15	600 <sup>1</sup>	-	<b>10-15</b>
<b>Chief Executive</b>								
Dr Janet Brown	120-125	-	24,000	<b>145-150</b>	120-125	-	24,000	<b>145-150</b>
<b>Non-Executive Board Members</b>								
Jim Edgar	0-5	200 <sup>1</sup>	-	<b>0-5</b>	0-5	300 <sup>1</sup>	-	<b>0-5</b>
Willie Gallagher*	0-5	100 <sup>1</sup>	-	<b>0-5</b>	0-5	200 <sup>1</sup>	-	<b>0-5</b>
Kenny McKay	0-5	-	-	<b>0-5</b>	0-5	200 <sup>1</sup>	-	<b>0-5</b>
Raymond O'Hare	0-5	500 <sup>1</sup>	-	<b>0-5</b>	0-5	200 <sup>1</sup>	-	<b>0-5</b>
Roger Stewart**	0-5	500 <sup>1</sup>	-	<b>0-5</b>	0-5	-	-	<b>0-5</b>
Dr Paul Thomson	0-5	700 <sup>1</sup>	-	<b>0-5</b>	0-5	300 <sup>1</sup>	-	<b>0-5</b>
Susan Walsh	0-5	200 <sup>1</sup>	-	<b>0-5</b>	0-5	300 <sup>1</sup>	-	<b>0-5</b>
Carole Wilkinson	0-5	200 <sup>1</sup>	-	<b>0-5</b>	0-5	200 <sup>1</sup>	-	<b>0-5</b>
<b>Directors</b>								
Maidie Cahill	80-85	-	16,000	<b>95-100</b>	80-85	-	16,000	<b>95-100</b>
Stuart Davidson*****	5-10	-	1,000	<b>5-10</b>	-	-	-	-
Linda Ellison	60-65	-	-	<b>60-65</b>	60-65	-	-	<b>60-65</b>
Rob Gibson***	20-25	-	15,000	<b>35-40</b>	75-80	-	15,000	<b>90-95</b>
Eric Martinez	100-105	-	-	<b>100-105</b>	5-10	-	-	<b>5-10</b>
Karen McCallum****	35-40	-	7,000	<b>40-45</b>	85-90	-	17,000	<b>100-105</b>
John McMorris	80-85	-	16,000	<b>95-100</b>	80-85	-	16,000	<b>95-100</b>
Dr Gill Stewart	90-95	-	17,000	<b>105-110</b>	80-85	-	16,000	<b>100-105</b>
Band of Highest Paid Directors' Total Remuneration	120-125				120-125			
Median Total Remuneration	25,650				25,697			
Ratio	4.8				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.

The total emolument of all directors, non-executive directors and the chair were £764,000 (2013:£771,000)

\* Term of appointment for Willie Gallagher ended on 25.6.13

\*\* Roger Stewart commenced his appointment on 1.5.13



\*\*\* Rob Gibson left SQA on 30.6.13. Payments associated with his departure are included within Staff Costs – Severance and compensation in Note 3 to the accounts, but are not separately disclosed due to confidentiality.

\*\*\*\* Karen McCallum left SQA on 31.8.13

\*\*\*\*\* Stuart Davidson commenced employment with SQA on 1.3.14

There were no bonuses paid in 2013–14

Benefits in kind are:

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

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

	Real increase in pension	Total accrued pension at 31 March 2014	Cash equivalent transfer value at 31 March 2013	Cash equivalent transfer value at 31 March 2014	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
<b>Chief Executive</b>					
Dr Janet Brown	0-2,500	10-15	509	559	42
<b>Directors</b>					
Maidie Cahill	0-2,500	15-20	371	405	28
Stuart Davidson	0-2,500	0-5	-	2	2
Rob Gibson	0-2,500	5-10	67	74	6
Karen McCallum	0-2,500	10-15	113	124	9
John McMorris	0-2,500	0-5	82	99	16
Dr Gill Stewart	0-2,500	5-10	496	539	35

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

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

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

**20 August 2014**

## 4: 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 the SQA's assets, are set out in the *Scottish Public Finance Manual* published by the Scottish Ministers.

## **5: 2013–14 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 2014 and up to the date of approval of the Annual Report and Accounts.

### **Governance and management structures**

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

### **Sponsor department**

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

attends meetings of the Board of Management as an observer and copies of Board and Committee papers are forwarded to our sponsor department.

## **Board of Management**

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

The Board is supported by a group of committees with specific remits who work together to deliver the objectives and policies of SQA: the SQA Accreditation Committee, the SQA Advisory Council, the SQA Qualifications Committee, the SQA International and Commercial Committee, the SQA Audit Committee and the SQA Remuneration Committee. In line with statute, the SQA Accreditation Committee and the SQA Advisory Council are directly responsible to Scottish Ministers. The Board receives verbal updates on the considerations and decisions reached at the meetings of these committees, along with copies of the minutes.

The Chairman of SQA's Board of Management undertakes annual appraisals with individual members of the Board. As part of the performance process, the Chairman and Board members also discuss and evaluate the performance of the Board and its committees in fulfilling their statutory functions. The Audit Committee provides the Board with an independent and objective review of reporting scrutiny of corporate performance, risk management, and the effectiveness of the internal control system. In particular the Audit Committee discussed SQA's Corporate Risk register quarterly. The Board discusses risk as part of its strategic focus on an annual basis and reviews the corporate risk register at every meeting.

## **Internal audit**

Following an assessment of internal audit service requirements and discussions with senior management, a three-year strategic Process Improvement Plan for 2011–14 was developed based on the recommendations from Scott-Moncrieff by our Executive Management Team and approved by our Audit Committee in May 2011. The three-year plan is subject to ongoing and formal annual review to ensure that it reflects changes in business requirements and takes account of any changes in SQA's risk profile. The reviews for 2013–14 were agreed by our Executive Management Team and approved by the Audit Committee in February 2013. The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes and to monitor progress with the implementation of agreed actions to address areas for improvement. SQA is committed to continuous improvement and to the timely implementation of agreed audit actions.

In addition to the outsourced audit activity, SQA operates an additional in-house audit programme, composed of trained staff. The in-house volunteers conduct audits of key processes to support our continuing partial compliance with ISO 9001 and ISO 27001. Reports on this audit activity are submitted to the Audit Committee.

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

## Internal controls

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

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

## Planning and performance framework

The SQA Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with ministerial guidance. It has been developed to align with the Scottish Government's National Outcomes.

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

Progress against Corporate Plan objectives is subject to review by the Audit Committee through Quarterly Performance Reports. The Audit Committee reviews progress against the strategic goals identified within the Corporate Plan and reports any matters of interest to the Board of Management for their consideration. The Quarterly Performance Review process was revised during 2013–14 to refine SQA's key corporate performance indicators and improve alignment with SQA's Strategic goals.

## Portfolio management

Following the review of our portfolio and its management, and the implementation of the action plan which followed, we have improved portfolio governance, ensuring that we do the right things in the right order, in the right way, with the right resource. This has been achieved by implementing the following changes:

- 1 Introduction of a single approval process that requires a business case to be made for all projects which involve cross-directorate resources.
- 2 Introduction of a new portfolio structure which will drive continuous improvement of SQA's approach to portfolio management.
- 3 Programme/project resource has been consolidated within the portfolio management office.

Further changes and improvements are in progress and will continue to be monitored by our Audit Committee.

## **Risk management framework**

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

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

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

In the first quarter of each year, SQA's Audit Committee undertakes a Strategic Risk Workshop to consider both existing and new risks which the organisation could face in the future. Any additional factors or risks are then incorporated into the Corporate Risk Register. During 2013–14 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure that we develop a sustainable funding model for the organisation and the criticality of SQA's role in working with partners to ensure successful delivery of the overall Curriculum for Excellence model.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. SQA has a full Business Continuity Management System validation programme that includes regular maintenance of plans, exercises and reviews.

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

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

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

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

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

## **Safeguards against losses**

SQA has a system of financial controls in place to promote the effective use of financial resources and to safeguard against loss. This includes a robust budgeting and forecasting process 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 2013–14 there were no reported incidents of fraud.

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

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. As required by ISO 27001:2005, SQA has a reporting structure for information security incidents. During 2013–14, there were no reported personal data incidents.

SQA has an Information Security Policy in place. The purpose of this policy is to ensure the correct measures are in place to protect and secure all of SQA's information. This policy is circulated to staff using meta-compliance software to ensure that all staff read and understand the requirements of this policy. In addition, during 2013–14, SQA rolled out Protecting Information training to all staff to ensure that they understood their responsibilities for handling information and keeping it safe.

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

## **Efficiency, effectiveness and economy**

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

continuing to embed a culture of efficiency, continuous improvement and best value across the organisation, SQA has planned to make savings that continue to support the Scottish Government's efficiency agenda in this financial year. No reductions in outputs or quality of service are expected as a result of this.

## **Review of effectiveness**

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

- ◆ 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 2013–14, I have considered the reviews of Payroll and Expenses, Financial Ledger, Curriculum for Excellence, Strategic & Operational Planning, Appointee management, Business Continuity Planning, Information Security, IT Controls, Information Management, Quality Assurance Processes, Accreditation and follow up reviews to assess the extent to which management has implemented agreed audit actions.
- ◆ Comments made by the external auditors in their management letters and other reports.

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

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

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

**20 August 2014**



# 6: Independent auditor's report

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

We have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2014 set out on pages 33 to 62. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Government Financial Reporting Manual 2013–14.

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 24, the Accountable Officer is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its net operating costs for the year then ended;

- ◆ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the Government Financial Reporting Manual 2013–14; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 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 Education (Scotland) Act 1996**

In our opinion:

- ◆ the part of the Remuneration Report to be audited has been properly prepared in accordance with the Education (Scotland) Act 1996 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- ◆ the information given in the Strategic Report, Directors Report and the part of the Remuneration Report that is not audited 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.

**David Watt**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
 191 West George Street  
 Glasgow  
 G2 2LJ

Date

# 7: Accounts 2013–14

## Statement of comprehensive net expenditure

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000 Restated Note 1
<b>Expenditure</b>			
Staff costs	3	30,514	27,606
Depreciation and impairment charges	9(ii)	2,473	2,479
Other expenditures	4	38,578	37,606
		<hr/>	<hr/>
		71,565	67,691
<b>Income</b>			
Entry charges	5	45,574	39,705
EU funding	6	-	125
Other income	7	7,341	6,645
		<hr/>	<hr/>
		52,915	46,475
<b>Net expenditure</b>		(18,650)	(21,216)
Interest payable	8	(554)	(339)
<b>Net expenditure after interest</b>		<hr/>	<hr/>
		(19,204)	(21,555)

The notes on pages 37 to 62 form part of these accounts.

## Statement of financial position

as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9(i)	5,024	5,565
Intangible assets	10	1,902	3,127
Financial assets	12	380	266
<b>Total non-current assets</b>		<u>7,306</u>	<u>8,958</u>
<b>Current assets</b>			
Trade and other receivables	13	21,770	15,112
Financial assets	12	-	132
Cash and cash equivalents	14	2,824	1,258
<b>Total current assets</b>		<u>24,594</u>	<u>16,502</u>
<b>Total assets</b>		<u>31,900</u>	<u>25,460</u>
<b>Current liabilities</b>			
Trade and other payables	15	(9,423)	(8,999)
<b>Total current liabilities</b>		<u>(9,423)</u>	<u>(8,999)</u>
<b>Non-current assets plus net current assets</b>		<u>22,477</u>	<u>16,461</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	16	(817)	(808)
Defined benefit liability	3	(15,487)	(11,370)
<b>Total non-current liabilities</b>		<u>(16,304)</u>	<u>(12,178)</u>
<b>Assets less liabilities</b>		<u>6,173</u>	<u>4,283</u>
<b>Taxpayers' equity</b>			
Revaluation reserves		79	96
General reserve		6,094	4,187
<b>Total taxpayers' equity</b>		<u>6,173</u>	<u>4,283</u>

The accounts were approved by the Board of Management on 20 August 2014 and were signed on its behalf by:

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

**20 August 2014**

The notes on pages 37 to 62 form part of these accounts.

## Statement of cash flows

for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000 Restated Note 1
<b>Cash flows from operating activities</b>			
Total comprehensive expenditure		(19,204)	(21,555)
<b>Adjustments for non-cash items</b>			
Depreciation		2,473	2,479
Loss on disposal of property, plant and equipment		-	34
Notional Optima rent		1,538	1,538
<b>Movements in working capital</b>			
Increase in trade and other receivables		(6,658)	864
Increase in trade and other payables		424	(626)
Proceeds from disposal of asset held for sale		-	850
<b>Movements in provisions and long-term liabilities</b>			
Increase of provisions		25	7
Increase in defined benefit liability cost		1,279	229
<b>Net cash outflow from operating activities</b>		(20,123)	(16,180)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(434)	(894)
Purchase of intangible assets		(273)	(636)
Proceeds of disposal of property, plant and equipment		-	-
Receipts of funds transfer		1	-
<b>Net cash outflow from investing activities</b>		(706)	(1,530)
<b>Cash flows from financing activities</b>			
Additional funding from Scottish Government	17	9,249	6,063
Government funding	17	13,130	11,816
Capital funding	17	16	259
<b>Net financing</b>		22,395	18,138
<b>Net increase in cash and cash equivalents in the period</b>		1,566	428
<b>Cash and cash equivalents at the beginning of the period</b>		1,258	830
<b>Cash and cash equivalents at the end of the period</b>		2,824	1,258

The notes on pages 37 to 62 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2014

	Note	Revaluation Reserves £'000	General Reserve £'000 Restated Note 1	Total Reserves £'000 Restated Note 1
<b>Balance at 31 March 2012</b>		86	10,565	10,651
<b>Changes in taxpayers' equity for 2012-13</b>				
Net gain on revaluation of investments	12(i)	10	-	10
Actuarial (loss)	3	-	(4,514)	(4,514)
Unfunded benefits paid	16(i)	-	15	15
Net expenditure after interest		-	(21,555)	(21,555)
Total recognised income and expense for 2012-13		10	(26,054)	(26,044)
Scottish Government funding	17	-	19,676	19,676
<b>Balance at 31 March 2013</b>		96	4,187	4,283
<b>Changes in taxpayers' equity for 2013-14</b>				
Net (loss) on revaluation of investments	12(i)	(17)	-	(17)
Actuarial (loss)	3	-	(2,838)	(2,838)
Unfunded benefits paid	16(i)	-	16	16
Net expenditure after interest		-	(19,204)	(19,204)
Total recognised income and expense for 2013-14		(17)	(22,026)	(22,043)
Scottish Government funding	17	-	23,933	23,933
<b>Balance at 31 March 2014</b>		79	6,094	6,173

The notes on pages 37 to 62 form part of these accounts.

# Notes to the accounts

## 1 Statement of accounting policies

These accounts have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies set out in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2013–14 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 Changes in accounting policy

SQA adopted IAS 19 (Revised) Employee benefits from 1 April 2013. As a result of IAS 19 (Revised), SQA has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plan. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in the Statement of comprehensive net expenditure with interest payable. Under IAS 19 (Revised), these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability. This change affects the difference between actual and expected return on plan assets, which is recognised in full within the changes in taxpayer's equity as part of actuarial losses.

There were no unamortised gains/losses or past service costs under IAS 19 nor any adjustment to the benefit obligation.

As a result of these amendments, comparative financial information in the Statement of comprehensive net expenditure and Statement of changes in taxpayers' equity have been restated for the year ended 31 March 2013. The effect of the above was to:

Statement of comprehensive net expenditure

- ◆ Interest payable and Net expenditure after interest: Increased by £756k

Statement of changes in taxpayers' equity

- ◆ Actuarial losses: Decreased by £756k

The effect on the Statement of cash flows of the amended standard was an adjustment to total comprehensive expenditure and an increase in defined benefit liability cost.

There is no effect on the Statement of financial position.

Note 3 (staff costs) and note 8 (interest payable) have been restated accordingly for the above IAS 19 (Revised) adoption.

**1.3 Property, plant and equipment**

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

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

The threshold for capitalising assets is £3,000.

**1.4 Depreciation**

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

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

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

**1.5 Intangible assets**

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

Where an active market does not exist, income-generating assets are valued at the lower of depreciated replacement cost and value in use. Non-income-generating assets are carried at



depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

Future economic benefit has been used as the 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

## **1.6 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.

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

For existing Access, Intermediate, Higher and Advance Higher qualifications, the proportion of income recognised is based on the level of internal verification that has taken place by 31 March in the academic year.

Income from Standard Grade entries is recognised when it is invoiced. This is in May when the external assessment has taken place. The final invoicing of Standard Grade entries was in May 2013.

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

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

## **1.8 Foreign exchange**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the Statement of financial position date. Any

gain or loss arising on the restatement of such balances is taken to the Statement of comprehensive net expenditure.

## **1.9 Leases**

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

There are no assets held under finance leases.

## **1.10 Financial instruments**

Financial instruments are recognised in the Statement of financial position when an obligation is identified and released as that obligation is fulfilled. Cash, debtors and creditors are held at cost. 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 Taxation**

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

SQA suffers withholding tax on income earned from overseas activities.

## **1.14 VAT**

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

## **1.15 Pensions**

All eligible employees are entitled to membership of the Local Government Pension Scheme (LGPS). Existing employees who are already members of the Scottish Government Teachers' Superannuation Scheme (STSS) are entitled to maintain their membership of that

scheme. Employer's contributions to the STSS are accounted for as they fall due. Employer's contributions to the LGPS are accounted for under the requirements of IAS 19 'Employee Benefits' (see note 3).

#### **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 levels of entry charges for Scotland are agreed by the Scottish Ministers each year. Grant funding may be available for development work within this service block.

### **Accreditation activities**

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

### **Scottish Survey of Literacy and Numeracy**

The Scottish Survey of Literacy and Numeracy (SSLN) 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.

	<b>Awarding and related activities £'000</b>	<b>Accreditation £'000</b>	<b>SSLN £'000</b>	<b>Total £'000</b>
<b>2013-14</b>				
Staff costs	29,129	917	468	30,514
Depreciation	2,473	-	-	2,473
Other expenditures	38,318	113	147	38,578
<b>Total expenditure</b>	<b>69,920</b>	<b>1,030</b>	<b>615</b>	<b>71,565</b>
Entry charges	45,574	-	-	45,574
EU funding	-	-	-	-
Other income	7,341	-	-	7,341
Scottish Government funding	22,288	1,030	615	23,933
	75,203	1,030	615	76,848
Funding credited to reserves	(22,288)	(1,030)	(615)	(23,933)
<b>Total income</b>	<b>52,915</b>	<b>-</b>	<b>-</b>	<b>52,915</b>
<b>Net expenditure</b>	<b>(17,005)</b>	<b>(1,030)</b>	<b>(615)</b>	<b>(18,650)</b>
<b>2012-13</b>				
Staff costs	26,275	896	435	27,606
Depreciation	2,479	-	-	2,479
Other expenditures	37,212	129	265	37,606
<b>Total expenditure</b>	<b>65,966</b>	<b>1,025</b>	<b>700</b>	<b>67,691</b>
Entry charges	39,705	-	-	39,705
EU funding	125	-	-	125
Other income	6,645	-	-	6,645
Scottish Government funding	17,951	1,025	700	19,676
	64,426	1,025	700	66,151
Funding credited to reserves	(17,951)	(1,025)	(700)	(19,676)
<b>Total income</b>	<b>46,475</b>	<b>-</b>	<b>-</b>	<b>46,475</b>
<b>Net expenditure</b>	<b>(19,491)</b>	<b>(1,025)</b>	<b>(700)</b>	<b>(21,216)</b>

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:

	Permanently employed staff £'000	Others £'000	2013-14 Total £'000	2012-13 Total £'000
Wages and salaries	22,050	2,209	24,259	22,755
Social security costs	1,593	-	1,593	1,551
Other pension costs	4,546	-	4,546	3,376
Severance and compensation	142	-	142	8
<b>Sub total</b>	28,331	2,209	30,540	27,690
Less recoveries in respect of outward secondments	(26)	-	(26)	(84)
<b>Total net costs</b>	28,305	2,209	30,514	27,606

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

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

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £3,781,000 (2013: £3,406,000), consisting of £3,679,000 (2013: £3,296,000) to the LGPS Scheme and £102,000 (2013: £110,000) to the STSS Scheme. Included within other payables (note 15) are outstanding contributions of £431,000 (2013: £383,000) due to the LGPS Scheme and £14,000 (2013: £nil) due to the STSS Scheme at 31 March 2014. In 2014–15 total contributions to LGPS are expected to be £4,933,000.

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

The STSS is an unfunded multi-employer defined benefit scheme. Accounting treatment under International Accounting Standard 19 (IAS 19) allows SQA to account for the pension plan as a defined contribution scheme. The last audited full actuarial and funding valuation was carried out at 31 March 2009. The results of this valuation were rolled forward to give an overall scheme liability of £24.0 billion at 31 March 2013. SQA is unable to identify separately

its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue. SQA has no liability for other employers' obligations to the multi-employer scheme.

The SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 of 19.3% of pay until 31 March 2015. The STSS has set rates at 14.9% for 2012–13, 2013–14 and 2014-15.

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

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

	<b>2013-14</b>	<b>2012-13</b>
	<b>£'000</b>	<b>£'000</b>
		Restated Note 1
Current service cost	4,415	3,196
Interest on obligation	4,568	3,949
Expected return on plan assets	(4,039)	(3,632)
	<hr/> 4,944	<hr/> 3,513

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

Staff costs	4,415	3,196
Interest payable	529	317
	<hr/> 4,944	<hr/> 3,513

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

Present value of funded obligations	(112,536)	(99,370)
Fair value of employer assets	97,328	88,274
	<hr/> (15,208)	<hr/> (11,096)
Net (under) funding in funded plans		
Present value of unfunded obligations	(279)	(274)
	<hr/> (15,487)	<hr/> (11,370)
<b>Net (liability)</b>		
Amounts in the Statement of financial position:		
Defined benefit liability	(15,487)	(11,370)
	<hr/> (15,487)	<hr/> (11,370)
<b>Net (liability)</b>		

	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
<b>Movement in present value of defined benefit obligation</b>		
Opening defined benefit obligation	99,644	80,948
Current service cost	4,415	3,196
Interest cost	4,568	3,949
Actuarial loss from change in financial assumptions	4,875	12,183
Other experience	(31)	(94)
Contributions by members	1,230	1,127
Benefits paid	(1,886)	(1,665)
<b>Closing defined benefit obligation</b>	<b>112,815</b>	<b>99,644</b>
<b>Movement in fair value of plan assets</b>		
Opening fair value of plan assets	88,274	74,307
Expected return on plan assets	2,006	7,575
Interest income on plan assets	4,039	3,632
Contributions by employer	3,649	3,283
Contributions by members	1,230	1,127
Contributions in respect of unfunded benefits	16	15
Benefits paid	(1,886)	(1,665)
<b>Closing fair value of plan assets</b>	<b>97,328</b>	<b>88,274</b>



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

	31 March 2014				31 March 2013			
	Quoted Prices in Active Markets £'000	Prices not quoted in Active Markets £'000	Total £'000	%	Quoted Prices in Active Markets £'000	Prices not quoted in Active Markets £'000	Total £'000	%
Equity Securities	35,484	75	35,559	37	32,034	35	32,069	36
Debt Securities	-	1	1	-	-	-	-	-
Private Equity	-	9,179	9,179	9	-	8,523	8,523	10
Real Estate	-	6,818	6,818	7	-	5,662	5,662	6
Investment funds and unit trusts	2,410	38,685	41,095	42	2,404	36,430	38,834	44
Derivatives	21	-	21	-	(15)	-	(15)	-
Cash and cash equivalents	-	4,655	4,655	5	-	3,201	3,201	4
<b>Total</b>	<b>37,915</b>	<b>59,413</b>	<b>97,328</b>	<b>100</b>	<b>34,423</b>	<b>53,851</b>	<b>88,274</b>	<b>100</b>

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

	2013-14 £'000	2012-13 £'000
Actuarial (loss) arising on the defined benefit obligation	(4,844)	(12,089)
Actuarial gain arising on the fair value of the plan assets	2,006	7,575
<b>Actuarial (loss) recognised in the Statement of changes in taxpayers' equity</b>	<b>(2,838)</b>	<b>(4,514)</b>

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

	%	%
Pension Increase Rate	2.8	2.8
Salary Increase Rate	5.1	5.1
Discount Rate	4.3	4.5

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

	<b>Males</b>	<b>Females</b>
Current pensioners	21.0 years	23.4 years
Future pensioners	23.3 years	25.3 years

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

<b>Change in assumptions at 31 March 2014:</b>	<b>Approximate % Increase to Employer</b>	<b>Approximate monetary amount</b>
0.5% decrease in Real Discount Rate	12%	13,147
1 year increase in member life expectancy	3%	3,384
0.5% increase in the Salary Increase Rate	4%	4,622
0.5% increase in the Pension Increase Rate	7%	8,231

The discount rate is derived from a Corporate bond yield curve constructed from yields on high quality bonds. The discount rate is then set based on SQA's weighted average duration of 20.5 years.

The salary increase assumption is 1% p.a. until 31 March 2015, reverting to RPI plus 1.5% p.a. thereafter, plus an allowance for promotional increases. This takes into account the Government's public sector pay restraints (originally announced in June 2010 and extended as per the November 2011 announcement).

The pension increase assumption is in line with the Consumer Price Index (CPI). The CPI assumption is calculated as RPI less 0.8% p.a.

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

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

	<b>Permanent Staff</b>	<b>Others</b>	<b>2013-14 Total</b>	<b>2012-13 Total</b>
Awarding and related activities	584	227	811	771
Accreditation	22	-	22	22
Scottish Survey of Literacy and Numeracy	7	2	9	8
<b>Total</b>	<b>613</b>	<b>229</b>	<b>842</b>	<b>801</b>

## 4 Other expenditures

	2013-14	2012-13
	£'000	£'000
Appointee fees	13,149	13,025
Property expenses	4,952	5,015
IT costs	3,546	2,836
Business development specialists' fees and expenses	3,147	3,160
Appointee expenses and related costs	2,408	2,129
Staff travel	1,033	907
Miscellaneous staff costs	336	295
Staff training	300	221
Staff subsistence	240	209
Catering for internal and examination procedures meetings	43	29
Staff related costs	1,952	1,661
PR, marketing and publications	1,854	1,809
Appointee release compensation	1,830	1,300
Postage and telephone	1,818	1,835
Assessment stationery and certificates	1,592	1,498
Equipment and supplies	909	705
Miscellaneous	664	1,956
Question paper production and printing	748	660
Board and committee expenses	9	17
	<u>38,578</u>	<u>37,606</u>

Included within Property Expenses is a notional charge of £1,538,000 (2013: £1,538,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £44,155 (2013: £45,980) relating to external audit fees and £67,100 (2013: £49,725) relating to internal audit fees.

	2013-14 £'000	2012-13 £'000
<b>5 Entry charges</b>		
National Qualifications:		
National Courses and Units	27,572	21,802
SCE Standard Grade	9,241	9,595
Late appeal charges	34	32
	<hr/> 36,847	<hr/> 31,429
Higher National Qualifications	5,416	5,109
Scottish Vocational Qualifications	3,311	3,167
	<hr/> 45,574	<hr/> 39,705

## 6 EU funding

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

## 7 Other income

Commercial testing services	3,644	3,555
Consultancy, secondments and research	1,749	1,330
Streetworks Qualifications Register	990	745
Customised award charges	311	160
Replacement certificate charges	221	208
Miscellaneous income	210	103
Royalty income	128	143
Commercial events	41	361
Sale of publications	24	11
Other interest income	15	21
Income from investments for unfunded pensions	8	8
	<hr/> 7,341	<hr/> 6,645

## 8 Interest payable

		Restated Note 1
Finance cost of discounted SQA unfunded pensions provision	(25)	(22)
Pension provision cost	(529)	(317)
	<hr/> (554)	<hr/> (339)

## 9 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>							
At 1 April 2013	5,810	4,326	72	538	37	652	11,435
Additions	-	121	22	105	-	186	434
Reclassifications	-	-	-	-	-	(99)	(99)
Disposals	-	(10)	-	(12)	-	-	(22)
<b>At 31 March 2014</b>	<b>5,810</b>	<b>4,437</b>	<b>94</b>	<b>631</b>	<b>37</b>	<b>739</b>	<b>11,748</b>
<b>Depreciation</b>							
At 1 April 2013	1,728	3,692	58	379	13	-	5,870
Charged in year	388	337	14	128	9	-	876
Reclassifications	-	-	-	-	-	-	-
Disposals	-	(10)	-	(12)	-	-	(22)
<b>At 31 March 2014</b>	<b>2,116</b>	<b>4,019</b>	<b>72</b>	<b>495</b>	<b>22</b>	<b>-</b>	<b>6,724</b>
<b>Net book value</b>							
<b>At 31 March 2014</b>	<b>3,694</b>	<b>418</b>	<b>22</b>	<b>136</b>	<b>15</b>	<b>739</b>	<b>5,024</b>
<b>At 31 March 2013</b>	<b>4,082</b>	<b>634</b>	<b>14</b>	<b>159</b>	<b>24</b>	<b>652</b>	<b>5,565</b>
<b>Asset financing:</b>							
Owned	3,694	418	22	136	15	739	5,024
Finance lease	-	-	-	-	-	-	-
<b>Net book value at 31 March 2014</b>	<b>3,694</b>	<b>418</b>	<b>22</b>	<b>136</b>	<b>15</b>	<b>739</b>	<b>5,024</b>
<b>Capital Additions Financing:</b>							
Government grant	-	-	-	-	-	16	16
Core budget	-	121	22	105	-	170	418
	-	121	22	105	-	186	434

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

(ii) Depreciation and impairment charges

	<b>Note</b>	<b>2013-14 £'000</b>	<b>2012-13 £'000</b>
Depreciation charge for the year	9(i)	876	1,173
Amortisation charge for the year	10	1,597	1,306
<b>Total charge for the year</b>		<b>2,473</b>	<b>2,479</b>

## 10 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2013	402	1,326	9,452	11,180
Additions	-	41	232	273
Reclassifications	-	-	99	99
Disposals	-	(35)	(63)	(98)
<b>At 31 March 2014</b>	<b>402</b>	<b>1,332</b>	<b>9,720</b>	<b>11,454</b>
<b>Amortisation</b>				
At 1 April 2013	323	1,311	6,419	8,053
Charged in year	73	27	1,497	1,597
Disposals	-	(35)	(63)	(98)
<b>At 31 March 2014</b>	<b>396</b>	<b>1,303</b>	<b>7,853</b>	<b>9,552</b>
<b>Net book value</b>				
<b>At 31 March 2014</b>	<b>6</b>	<b>29</b>	<b>1,867</b>	<b>1,902</b>
<b>At 31 March 2013</b>	<b>79</b>	<b>15</b>	<b>3,033</b>	<b>3,127</b>
Internally generated	-	-	-	-
Other	6	29	1,867	1,902
	6	29	1,867	1,902

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

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



## 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 2014 £'000	31 March 2013 £'000
<b>Non-current assets</b>			
Investments for unfunded pensions	12(i)	380	266
<b>Current assets</b>			
Investments for unfunded pensions	12(i)	-	132
		380	398

### (i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
<b>Market value at 1 April 2012</b>	387	-	387
Additions	-	8	8
Disposals	-	(7)	(7)
Revaluation	10	-	10
	397	1	398
<b>Market value at 31 March 2013</b>			
Additions	130	8	138
Disposals	(130)	(9)	(139)
Revaluation	(17)	-	(17)
	380	-	380
<b>Market value at 31 March 2014</b>			
Market value of investments maturing:			
Within 1 year	-	-	-
Outwith 1 year	380	-	380
	380	-	380
<b>Market value at 31 March 2014</b>			

<b>31 March</b>	<b>31 March</b>
<b>2014</b>	<b>2013</b>
<b>£'000</b>	<b>£'000</b>

## 13 Trade and other receivables

### Amounts falling due within one year:

Trade receivables	3,330	4,261
Other receivables	32	30
Prepayments and accrued income	18,408	10,821
	<u>21,770</u>	<u>15,112</u>

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

Other central government bodies	74	92
Local authorities	35	78
NHS trusts	2	6
	<u>111</u>	<u>176</u>

Included within trade receivables is a bad debt provision of £303,000 (31 March 2013: £428,000). During the year £38,000 of bad debt was written off (2013: £36,000).

Included within other receivables are loans to staff amounting to £30,000 (31 March 2013: £28,000).

## 14 Cash and cash equivalents

<b>Balance at 1 April</b>	1,258	830
Net change in cash and cash equivalent balances	1,566	428
<b>Balance at 31 March</b>	<u>2,824</u>	<u>1,258</u>

The following balances at 31 March were held at:

Government banking service	2,665	-
Commercial banks and cash in hand	159	1,258
	<u>2,824</u>	<u>1,258</u>

31 March 2014 £'000	31 March 2013 £'000
---------------------------	---------------------------

## 15 Trade and other payables

### Amounts falling due within one year:

VAT	50	47
Other taxation and social security	607	510
Trade payables	118	42
Other payables	503	438
Accruals and deferred income	8,145	7,962
	9,423	8,999

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

Other central government bodies	1	-
Local authorities	2	-
	3	-

## 16 Provisions for liabilities and charges

SQA Unfunded Pensions	16(i)	427	418
China Tax Provision	16(ii)	390	390
		817	808

### (i) SQA unfunded pensions

	£'000
<b>Balance at 1 April 2012</b>	411
Provisions not required written back	-
Provisions utilised in the year	(15)
Unwinding of discount	22
<b>Balance at 31 March 2013</b>	418
Provisions not required written back	-
Provisions utilised in the year	(16)
Unwinding of discount	25
<b>Balance at 31 March 2014</b>	427

The provision for SQA unfunded pensions represent the current capital cost of future unfunded pensions payable to SQA, SEB and SCOTVEC pensioners who were granted early

retirement. The value of the provision has been calculated on the basis of transferring the unfunded pension liability to a third party.

## **(ii) China Tax Provision**

During 2012–13 the Chinese tax authority conducted a review of the income that SQA earns in China and how this is classified in accordance with the Double Taxation Treaty that exists between the UK and China. The review initially concluded that SQA's income had been wrongly classified in the past and as a result additional tax, including tax due in previous years was now due. SQA have since received verbal confirmation that the original classification of income was, in fact continuing. However, as SQA does not have this confirmation in writing, a provision was made for the full estimated amount of additional tax.

## **17 Government funding**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£'000</b>	<b>£'000</b>
Scottish Government Scottish Survey of Literacy and Numeracy	615	700
Scottish Government accreditation	1,030	1,025
Scottish Government development	11,485	10,091
	<hr/>	<hr/>
	13,130	11,816
Grant in aid	9,249	6,063
Capital funding	16	259
Notional funding	1,538	1,538
	<hr/>	<hr/>
	23,933	19,676

## **18 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 17).

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

	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	6,891	8,040
	<hr/> 6,891	<hr/> 8,040

The Scottish Government entered into a 15 year lease in October 2011 with the owners of Lowden in Dalkeith. SQA are tenants of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. The treatment of this arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 17).

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

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	12,432	13,488
	<hr/> 12,432	<hr/> 13,488

In addition SQA signed a 5 year extension from 1 April 2012 with the Scottish Mining Trust for the lease of property at Newtongrange. Obligations under this lease amount to £119,000, all later than one year but no later than five.

There are no other operating leases.

### **Finance leases**

There are no finance leases in operation.

## **19 Contingent liabilities**

There were no material contingent liabilities at 31 March 2014 (2013: £150,000).

## **20 Events post-date of Statement of financial position**

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

## **21 Related-party transactions**

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

The Learning Directorate is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, there were no balances outstanding (2013: £nil). In addition, SQA has had material transactions with the Scottish Government Employability, Skills & Lifelong Learning Directorate. At the year end, there were no balances outstanding (2013: £nil).

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

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2014 £'000	2013 £'000
<b>Beaconhurst School</b> SQA Director, Dr Gill Stewart holds the position of Governor at the school	17	18	-	-	-	-
<b>Cardonald College</b> SQA Board Member, Susan Walsh, holds the position of Principal at Cardonald College	-	363	-	15	-	-
<b>Glasgow Clyde College **</b> SQA Board Member, Susan Walsh, holds the position of Principal at Glasgow Clyde College	797	-	4	-	85	-
<b>Colleges Scotland</b> SQA Board Member, Susan Walsh, holds the position of a Lead Principal for Colleges Scotland	-	1	1	30	-	-
<b>Galashiels Academy</b> SQA Board Member, Kenny McKay, holds the position of Head Teacher at the school	73	77	-	-	-	-
<b>Jordanhill School</b> SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School and SQA Director, Linda Ellison is a Board Member there	53	55	-	-	-	-
<b>NHS Education for Scotland</b> SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	55	9	1	-	2	-

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000	2014 £'000	2013 £'000
<b>Scottish Police Authority</b> SQA Chairman, Graham Houston, is a Board Member there	106	201	4	-	94	-
<b>Edinburgh College</b> SQA Director, Maidie Cahill, is a Board Member there	1,047	439	8	24	105	38
<b>Stirling Council</b> SQA Chairman, Graham Houston, is a Councillor with Stirling Council	488	494	-	-	1	-
<b>St George's School for Girls</b> SQA Board Member, Prof John Simmons is a member of the school's council, its governing body.	53	46	-	-	1	-

\*\*Cardonald College merged with Anniesland College and Langside College to form Glasgow Clyde College.

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish Ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF is a related party as SQA Chief Executive, Dr Janet Brown, holds the position of board member there. SQA levied charges of £35,000 (2013: £29,000) to the SCQF during the year. At the year end, £nil (2013: £3,000) remained outstanding. In addition £3,000 (2013: £3,000) of charges were incurred by SQA. At the year end, £nil were outstanding.

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





**SCOTTISH QUALIFICATIONS AUTHORITY**

**DIRECTION BY THE SCOTTISH MINISTERS**

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

Signed by the authority of the Scottish Ministers

Dated 3/ January 2006