



Annual Report and Accounts 2022–23

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Welcome

These are the Annual Report and Accounts of the Scottish Qualifications Authority (SQA) for 2022–23. They provide an overview of the organisation and its activities during this period.

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

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

The Board would like to thank all those who help in SQA’s work — including our own staff, our appointees — predominantly drawn from the teaching profession, partners, customers and stakeholders. Your support is vital to our successes, and to our ability to meet challenges. This year we have continued to deliver our qualifications and services as we emerge from the shadow of the global COVID-19 pandemic, and return to examinations for National Qualifications. We have also been reviewing strategic priorities as we plan towards the body which will replace SQA.



David Middleton CBE

Chair

Scottish Qualifications Authority

A: Performance report

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

Overview

This overview section explains what SQA is, how we work, and what we have been doing over the period April 2022 to March 2023. As Scotland's accreditation and awarding body, SQA provides products, services and skills, and training and education — all of which have a positive impact on individuals, organisations, and society. We embed our values — progressive, enabling, and trusted — in all our work.

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

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

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

How statistics are used in the Annual Report

The Annual Report covers the financial year April 2022 to March 2023, and for most purposes the activities and related statistics described and analysed in the report fall within this period. The exceptions to this are:

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

These are based on the **academic year** 2021–22, which ended with the publication of results in August 2022.

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

Statement from our Chief Executive

I am pleased to present our Annual Report and Accounts for 2022–23. SQA makes a positive difference to lives and communities across Scotland. Learning makes lives better, and our extensive range of qualifications mark out the stages of learners' journeys from education and training into further study or progression through employment. Our qualifications also support employers in developing their workforces. In this way, we contribute to individual success in life, and benefit the economy and society as a whole.

It was another challenging year for SQA as we continued to manage the impact of the COVID-19 pandemic on our organisation and the products and services we deliver. It has not been a return to normal; all parts of society, including education and training, continue to feel the legacy effects of the pandemic.

After the cancellation of the examination diet in 2020 and 2021, we returned to formal national assessments – exams and coursework – in 2022 and 2023. In each year, we have had an approach to assessment and awarding that has helped to support the recovery of teaching and learning while maintaining the standards and credibility of our qualifications. Vocational training, licence to practice qualifications and apprenticeships have continued to use and further develop the alternative arrangements introduced during the pandemic.

We have continued to work very closely with our partners in the education and training sectors in our approach to awarding. Our shared goal has been to ensure that learners get the results they deserve and have the knowledge and skills they need to progress to further learning, training or work. Equality and diversity considerations are embedded in our decision-making procedures, and we actively consider their impacts in new or revised policies and practices. We also continued to work with our learner advisory group to ensure the voices of learners are heard.

We have provided support to teachers, lecturers and trainers in several ways. These include regular engagement with our Liaison and Business Development Teams and with subject implementation managers, who are seconded teachers and lecturers. We have provided guidance on our approach to awarding and support services, added to our Understanding Standards materials, and given other advice and support to help education and skills professionals prepare learners effectively for SQA's assessments.

In parallel with the delivery of current qualifications, we have continued to develop our Next Generation of Higher National Qualifications. A number of these qualifications are already being piloted, and the feedback and lessons learned will help shape the final form of the new qualifications. Enhancing capability for digital learning and assessment is part of this development, and of the ongoing work of SOLAR and SQA Academy.

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

We also work outside Scotland, where our qualifications and services continue to be in high demand, both in the rest of the UK and internationally. A range of contracts and consultancy projects, including in co-operation with governments and international bodies, help to reduce

our overall reliance on the public purse. The International Team has begun to travel again to meet existing customers and undertake new business development activities. Our work outside Scotland supports the Scottish Government's international agenda for the education sector, and it allows us to bring good practice back home, as international work helps us keep abreast of the changes and opportunities presented by the rapidly changing global environment in which we operate.

I would like to thank our appointees, the many thousands of education professionals and specialists who play many vital roles in the delivery and quality assurance of all SQA qualifications. Their contributions are invaluable. I also want to thank Scotland's teachers, lecturers, trainers and support staff for their hard work, collaboration and dedication, working tirelessly to support their learners.

I am very proud to lead SQA, made up of dedicated, committed and resilient professionals who always rise to the challenges and opportunities that we face. This is particularly true over the past year as we have continued to adapt our approach to awarding, and to contribute to the education reform agenda. We are making a full and positive contribution to the work being undertaken by the Scottish Government to establish a new qualifications body. However, this has caused uncertainty for staff and has impacted on retention and recruitment. Further independent reviews are underway or have been completed this year, including the review of qualifications and assessment led by Professor Louise Hayward and a review of the skills delivery landscape by James Withers. The Scottish Government's response to these reviews may impact significantly on the work of SQA and the new qualifications body.

As a Young Person's Guarantee employer, we continue to support the development of Scotland's young workforce through our own apprenticeship and internship programmes. This year we have hosted Modern Apprentices and Interns and have continued to support a Graduate Apprentice in collaboration with the University of Glasgow. As a proud corporate parent, we support care-experienced learners, celebrating their successes and ensuring our services and processes are inclusive and accessible.

Our colleagues have continued to adapt their ways of working and we have seen an increasing number returning to office working more regularly. We continue to support staff and launched a wellbeing strategy this year, ensuring they do not feel excluded through remote working and have access to relevant and valuable health and wellbeing resources.

We also have several staff support networks, providing colleagues with an opportunity to come together to share their experiences and ideas and offer peer support and guidance. These networks also offer a valuable forum for consultation on policy development.

Whatever the future holds, my colleagues in SQA and its successor organisation will continue to work in the best interest of all learners, balancing the needs of the education and skills system, and ensuring our qualifications are credible, fair and valued.

Fiona Robertson
Chief Executive
Scottish Qualifications Authority

SQA's purpose and activities

SQA is the national accreditation and awarding body in Scotland.

Awarding

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

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

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

Accrediting

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

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

Our accreditation function is branded as SQA Accreditation to distinguish it from our awarding function. It was confirmed in November 2022, by the Cabinet Secretary for Education and Skills, that this accreditation function will remain with the new qualifications body.

Business model and environments

SQA is an executive non-departmental public body that reports to Scottish Ministers and the Scottish Parliament. It is sponsored by the Scottish Government's Learning Directorate and employs approximately 1000 people. The Education (Scotland) Act 1996, as amended by the Scottish Qualifications Authority Act 2002, sets out SQA's statutory remit and the governance arrangements to oversee SQA's distinct accreditation and awarding functions.

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

We welcome and are responsive to feedback from all our customers and stakeholders, and we undertake research into the impact and effectiveness of our qualifications. We also welcome new initiatives that look to support economic activity by establishing new qualifications — for example, by meeting skills gaps at various stages of career development.

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

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

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

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

The impact of the COVID-19 pandemic continued to be felt throughout the period covered by this report, particularly in the 2021–22 examination diet ending in Results Day 2022 (though this was less than with the previous two diets). SQA had outlined three scenarios for how to proceed with this diet, and assessed the levels of disruption to learning and teaching under each. [Scenario two](#) of these three plans was chosen as the approach to follow by stakeholder partners and SQA's Board of Management. A contingency scenario was included within these plans, to allow for circumstances requiring cancellation of exams.

Organisational structure

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

SQA's policy, and in particular our Corporate Plan, is developed by the EMT, with strategic direction provided by the non-executive members of the Board of Management, and in consultation with the Scottish Government. A one-year extension to SQA's Corporate Plan 2020–23 has been granted by Scottish Government, due to the ongoing work surrounding

Education Reform and SQA's replacement. The EMT oversees the implementation of the plan, and provides regular progress reports for review by the Board. The role of our Advisory Council, whose members are appointed by Scottish Government, is to represent our various stakeholders and consider and advise SQA on their needs and views in relation to our qualifications and awards. There is more detail on management structure, including committee membership, in the Accountability Report in section B below.

Objectives and strategies

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

They are intended to help us maintain, develop and continually improve the full range of our activities. These are the outcomes we continued to work towards during 2022–23:

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

We work towards the outcomes within our wider corporate performance framework for 2020–23. This consists of a series of deliverables, identifying key corporate activities that SQA has prioritised for 2022–23. These fall into three broad categories:

- ◆ **Perform** — our ongoing, core activities
- ◆ **Progress** — specific pieces of work which are key to our success
- ◆ **Transition** — (new to 2022, and introduced earlier in the year) work associated with Education Reform

SQA's [Annual Business Plan 2022–23](#) outlines in more detail our priorities and deliverables in 2022–23 and how they contribute to achieving our five corporate outcomes for 2020–23. We updated our Corporate Performance Framework (Appendix 1) during the development of the Annual Business Plan 2022–23, providing a high-level summary how SQA's deliverables align to our outcomes and the Scottish Government's NPF.

Key issues and risks

SQA continues to operate in a rapidly changing economic, political, and commercial arena. SQA's corporate approach to identifying and evaluating risk considers the potential impacts on the organisation in the short, medium, and longer term. An important part of SQA's corporate risk management approach is to put in place steps to mitigate or minimise the negative impacts of identified risks.

These were the significant risks affecting SQA in 2022–23:

Type	Description	Risk Appetite*	Key mitigations
People and Resources	Loss of expertise of key staff	Balanced risk appetite	Recruitment, development opportunities, support at individual and team level.
	Multiple demands on staff resource	Balanced risk appetite	Plan for required staff skills and numbers.
	Impacts of the education reform on staff engagement, retention, job security, recruitment and wellbeing	Balanced risk appetite	Regular communication and engagement from Scottish Government, review groups and SQA leadership with staff and trade unions. Business continuity plans reviewed on a regular basis. Communication/marketing campaign supported by SG to promote SQA, our role, brand, and function
Compliance	Failure to comply with legal and regulatory requirements	Cautious risk appetite	Robust outcomes and action plans. Governance structure in place to oversee progress and implementation of action plans. Education and awareness programme. Review of processes to develop and approve assessments. Develop a plan of policies and practices, putting in place monitoring and reporting arrangements to ensure compliance.
Financial	Income insufficient to cover costs	Minimal risk appetite	Carefully analysed budget. Continue to work with Scottish Government to ensure adequate funding. Best Value programme.
Operational	Major incident disrupts operations	Minimal risk appetite	A range of contingency plans in place. Audit of Disaster Recovery identified improvement actions. Investment in network resilience.
Reputational/ Operational/ Business Continuity	Mission critical system failure	Cautious risk appetite	SQA's investment proposal Improved Disaster Recovery capability Contingency plans to mitigate critical systems failure(s)

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

Risk management framework

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

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

Going concern

The Scottish Government announced on 9 March 2022 that SQA would be replaced by a new qualifications body, which would be a non-departmental public body responsible for the delivery of SQA's awarding functions. Further work was announced in relation to the future scope and organisation of SQA Accreditation. The Scottish Government commissioned Professor Ken Muir to prepare a report on Education Reform, and its statement in response to the report set out an indicative timeline for the new qualifications body to be established after delivery of the exam diet in 2024.

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

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

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

Performance summary

The period of this report, April 2022–March 2023, was our second full year facing one of the biggest global public health emergencies of recent times. As in the previous year, despite these unprecedented challenges, we continued to make progress in delivering on our plans.

We are now in the third year of our three-year corporate planning period (2020–23), and with the support of colleagues across SQA and through engagement with EMT and the Board, we developed a Business Plan for the 2022–23 operating year in early 2022.

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

In response to these changes, EMT, heads of service and teams reviewed SQA’s deliverables — the strategic priorities we undertake to deliver. They reflected on the challenges and priorities presented by the new circumstances, to be clear about what we can and cannot realistically achieve. Through this exercise, they identified 16 deliverables for us to work towards during the 2022–23 operating year. Some of these deliverables continue from last year, while some were added or modified as we continued to adapt and deploy new and innovative ways to deliver for all our customers.

The resulting SQA [Annual Business Plan 2022–23](#) outlined in more detail our priorities and deliverables for 2022–23, and how they contribute to achieving our five corporate outcomes for 2020–23. We have also updated our Corporate Performance Framework (Appendix 1). This framework provides a high-level summary of how SQA’s deliverables align to our outcomes and the Scottish Government’s NPF.

This performance report reflects our progress in this third year of our three-year corporate plan. The report is structured by each outcome, with activity under each of the 16 deliverables set out in our Annual Business Plan 2022–23 and our [Corporate Performance Framework](#). Almost all our deliverables play an important part in more than one of our five outcomes, however each deliverable has a primary outcome it is linked to, and the report is set out in this way.

	We provide a credible qualifications system:
	• National Qualifications delivery to plan
	• Higher National, Vocational and International delivery to plan
	• Conduct an evaluation of the 2022 awarding programme
	• Maintain, develop and improve our portfolio of qualifications

	<ul style="list-style-type: none"> • Take forward and implement the accepted recommendations from the Review process, in accordance with the roles and responsibilities agreed with Scottish Government
	<ul style="list-style-type: none"> • Deliver contracts in line with service level agreements
	<p>We are flexible in meeting customer needs:</p> <ul style="list-style-type: none"> • Implement an operational excellence methodology for SQA • Implement and embed the first phase of SQA's research and analysis strategy
	<p>We have a sustainable operating model that is appropriately resourced in order to deliver our remit now and in the future:</p> <ul style="list-style-type: none"> • Ensure SQA is compliant with all legislative, statutory and regulatory requirements (including quals regulators) • Review and update all policies to ensure they are (i) up to date; and (ii) consistently applied • Deliver financial balance in line with available resources • Complete the implementation of phase one of the ISO 9001 expansion programme • Enhance SQA's cyber maturity and resilience to ensure we are well equipped to withstand, defend against, manage, recover quickly, and learn from cyber incidents • Through effective use of our financial resource, implement the duty of Best Value in line with the Scottish Public Finance Manual
m	<p>We are a thriving organisation, with quality jobs and a fair work environment for all our people:</p> <ul style="list-style-type: none"> • Ensure SQA has an engaged and diverse workforce which meets the needs of the organisation • Deliver the people strategy
	<p>We are trusted, respected and valued by our customers, stakeholders and partners:</p> <ul style="list-style-type: none"> • Build credibility and trust in SQA and begin the journey towards ensuring strong communication, deep engagement and meaningful collaboration are at the heart of the new organisation(s)

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

Qualifications

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

Our [Statistics and information](#) page gives details of entries and results for all our qualification types in the 2021–22 academic year.

National Qualifications

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

Vocational qualifications

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

Scottish Vocational Qualifications (SVQs)

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

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

Higher National Qualifications

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

Certain HNCs allow direct entry into the second year of a degree course, and some HNDs allow direct entry into the third year. SQA has entered into agreements with some

professional bodies who recognise HNCs and HNDs as partial fulfilment towards their entry requirements.

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

NextGen: HN

SQA's Next Generation of Higher National Qualifications project, NextGen: HN, continues to develop, adapting our Higher National qualifications to give learners the skills they need to thrive in the 21st century workplace. Our NextGen: HN qualifications will:

- ◆ be adaptable and flexible to respond to the needs of a constantly changing employment environment
- ◆ support life-long learning and multiple career options
- ◆ integrate essential 21st century skills or meta-skills
- ◆ develop critical industry and subject-specific technical skills

Key features of the new HN qualifications include:

- ◆ HNC (level 7) and HND (level 8) are standalone qualifications worth 120 SCQF credit points (equivalent to 15 SQA credits) each.
- ◆ larger and fewer units of learning to significantly reduce assessment load and encourage more integrated learning, teaching and assessment approaches
- ◆ opportunity to develop meta-skills, which are defined as skills that help us adapt and excel in any context the future brings
- ◆ significantly reduced assessment load for both learners and staff.
- ◆ three new models of grading being tested across the pilot qualifications.
- ◆ digital technology used across delivery to enhance and support effective, flexible and learner-centred assessment, learning and teaching approaches
- ◆ new approaches to grading and Quality Assurance based on stakeholder feedback and learners' needs.

Awards

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

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

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

- ◆ flexible awards for vulnerable learners

At SCQF levels 1 to 6, there are Awards that recognise wider achievement and develop skills in areas such as Mentoring and Modern Languages for Life and Work, Personal Finance, British Sign Language, Scottish Studies, Leadership, and Mental Health and Wellbeing.

National Progression Awards (NPAs) (at SCQF levels 2 to 6) are short programmes of learning designed to assess a defined set of skills and knowledge in specialist vocational areas. They link to [National Occupational Standards](#), which are the basis of Scottish Vocational Qualifications (SVQs). These awards are successfully delivered in partnership with schools, colleges, employers and training providers in a variety of sectors.

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

Skills for Work (SW)

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

Customised Awards

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

Communications

SQA continually seeks to improve its communications and engagement. We listen to our customers and stakeholders and create clear and relevant communications to help meet their needs.

We actively gather feedback and insight from those we serve and those we work in partnership with: our learner panel allows us to engage directly with young people; our advisory council brings together a wide variety of stakeholders; our liaison team and regional managers regularly meet teachers, lecturers and training providers; and regular surveys help us to take the pulse of the education community.

At the same time, the continuation of the National Qualifications (NQ) and Higher National and Vocational Qualifications (HNVQ) groups has brought together learners, parents and education professionals to guide decisions in these critical areas of our work.

Quality assurance

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

SQA appoints subject specialists to quality assure internally-assessed qualifications, to ensure centres are meeting appropriate standards. The appointees do this by reviewing the judgements of assessment evidence by internal assessors. These reviews may be carried out at central events, remotely or through visits to centres — the approach taken depends on the qualification type. QA activity for internally-assessed qualifications increased in session 2022–23, compared to the previous two years.

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

Appointees

Some 15,000 appointees (teachers, lecturers, subject experts, markers, invigilators and other roles) supported the development, delivery, and certification of SQA’s qualifications in the academic year 2022–23. Their contribution of time, skills, and expertise is of fundamental importance in the development, assessment development, and quality assurance of our NQs, HNs, SVQs, and Awards. We are enormously grateful to all our appointees.

Apprenticeships

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

SQA Apprentices

As a Young Person’s Guarantee employer, we have continued to support the development of Scotland’s young workforce through our qualifications and our apprenticeship programmes. This year we hosted two Modern Apprentices on our two-year Business and Administration apprenticeship programme within our Business Systems directorate with one still participating in the programme and one securing sustainable employment. We have also welcomed three Business and Admin Interns in our new one-year Internship Programme and are currently recruiting for one other Business Intelligence Intern.

Supported by external assessors and in-house career development mentors, our apprentices and interns used their time on the programme to identify their strengths and career ambitions, and develop the skills, knowledge, and experience for an administrative role within SQA or elsewhere. One of our previous Modern Apprentices has had continued success as a qualified career development mentor.

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

Services

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

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

Contract services

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

International engagement and co-operation

There continues to be demand globally for SQA's qualifications and services. The International Team has begun to travel again to meet existing customers and undertake new business development activities. We offer our qualifications through SQA centres in a wide range of countries. We also work in co-operation with governments and international bodies on projects to develop and improve education, skills and training. This work supports the Scottish Government's international vision (as currently outlined in [Scotland's Global Affairs Framework](#) and [Vision for Trade](#)), Scotland's place in the world, and education as a key sector. It also enables SQA to reduce its draw on the public purse.

Customer and community engagement

SQA seeks to build and reinforce relationships with those who use our services, and also to play an active part in our local communities in Scotland. We give examples of engagement activities with our stakeholders under Outcome 5 in the Performance Analysis section of this report.

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

Our people

As a provider of products and services, and as an employer, SQA puts people at the heart of everything it does. Equality is a key consideration in qualifications, as it is for the people who work with us. We launched SQA's wellbeing strategy in February 2023, demonstrating our commitment to the wellbeing of all colleagues, ensuring they do not feel excluded through remote working, and supporting them with social, financial, physical, and psychological aspects of wellbeing at work.

SQA employee network groups

Equality is at the heart of all we do, and this includes caring for our staff. We recognise that people perform better when they feel their best, and when they can be themselves. To help achieve this, and in direct alignment with our outcome, 'We are a thriving organisation, with

quality jobs and a fair work environment for all our people', SQA now has several staff support networks. These networks provide colleagues with an opportunity to come together to share their experiences and ideas, and offer peer support and guidance. They also provide a forum for consultation and to inform policy development.

Our employee networks: ACE (Appreciate Culture and Ethnicity) Network, Disability Network, Parents and Carers Network, Rainbow Network, Women's Network, Young Talent Network, MAC (Make A Change Group) and our Mental Health First Aiders are critical to building a sense of belonging and have been particularly crucial during the period of remote working.

Volunteering

As part of our collective responsibilities to the communities in which we live and work, SQA employees can use 21 office hours each year for practical volunteering activities. SQA encourages staff to volunteer by acknowledging individual efforts in staff Performance Management Reviews. In the period covered by this report, colleagues used a total of 285 hours.

Equality and diversity

Equality and diversity (E&D) considerations are embedded in our decision-making procedures. We actively consider E&D impacts in new or revised policies and practices, and provide online training in E&D and Equality Impact Assessments (EqIAs) to support staff. In September 2022, we published 40 EqIAs on SQA's employment policies, procedures, and practices. In these EqIAs, around 250 individual actions were identified, ranging from workforce data processing to policy revisions.

In September 2021 SQA entered into a Section 23 Agreement with the Equality and Human Rights Commission (EHRC) for a period of two years to improve our practices in compliance with the Public Sector Equality Duty which will be monitored periodically by the Commission.

Corporate parenting

We demonstrated our continuing commitment to corporate parenting by ensuring our recruitment process is as inclusive and accessible as possible to all applicants.

Apprenticeship and work experience opportunities are promoted via various networks to reach as many care-experienced young people as possible.

We continue to support Who Cares? Scotland's ambition for a lifetime of equality, love and respect for all care-experienced people in Scotland. Our [Corporate Parenting Plan](#) sets out our commitments to support care-experienced learners, and our Corporate Parenting Steering Group meets quarterly to review these action plans.

As part of the work to meet the requirements of the Section 23 Agreement with the EHRC and the improvements to SQA's EqIA practice, we have made a commitment to the needs of care-experienced young people. Our updated EqIA templates and guidance encourage colleagues across SQA to consider the impact our policies have on care-experienced young people and to explore whether there is more we can do to meet our Corporate Parenting responsibilities.

Although we were again unable to hold an in-person celebration of the successes of care-experienced young people, we produced a virtual celebration instead, as a key part of National Qualifications Results Day in August 2022.

Children's rights

SQA's ambition is to become a leading public body in ensuring that children's rights are recognised, as set out in the United Nations Convention on the Rights of the Child (UNCRC). This will reflect our purpose of helping people to fulfil their potential and achieve their ambitions. We are fully committed to taking action to support children and young people in Scotland to realise their rights. During 2022–23, work to embed a rights approach in SQA was reviewed, and we started preparation of our next Children's Rights report for publication in 2023–24.

Accreditation

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

Planning for the future

The [SQA Change Programme](#) was a multi-phase, rolling programme which aimed to transform the way we deliver our services and the support we provide to those we work with, both inside and outside of SQA. It was set up to ensure that our technologies and skills remained relevant to our learners, customers and colleagues. The first phase of this programme was delivered in late 2020. The continued impact of the pandemic and the requirement for our Awarding Programme to continue to plan contingency for exams and certification has meant the 'Strategic Change' programme remained on hold during the first period of this report, as resources have been focused on awarding. In late 2022, Strategic Change was formally stood down as a discrete programme within SQA Portfolio in recognition that continued focus is required on SQA's awarding and certification remit, and that the Scottish Government's Education Reform Programme is ongoing.

In late 2022, a new programme, termed the 'NQ Awarding Programme', was established to deliver technological change specifically to support exam delivery and certification of National Qualifications.

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

A further programme has been created within the SQA Project Portfolio, 'HN/VQ Awarding Programme', which will continue work on the development of Higher National and Vocational Qualifications and where a key focus will be on the development of a new technical platform which will support the delivery of these qualifications for the future.

Financial performance

Financial overview

The results for the year to 31 March 2023 are given in the attached accounts (see section C), which have been prepared in accordance with the 2022–23 Government Financial Reporting Manual (FRm).

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

Given the operating environment facing the organisation, the financial position in 2022–23 had to be closely managed throughout the year in partnership with Scottish Government.

Performance against Departmental Expenditure Limit (DEL) in 2022–23

Performance	Budgeted DEL £m	Actual Outturn £m	Variance £m
Resource DEL	43.539	43.225	0.314
Capital DEL	2.000	2.039	(0.039)
Total DEL	45.539	45.264	0.275
Ring-fenced DEL	4.438	4.358	0.080
Annually Managed Expenditure	11.787	NIL	11.787
HMT Resource	NIL	(0.292)	0.292
Total	61.764	49.330	12.434

Departmental Expenditure Limit

	£m
Total Net Expenditure per SOCNE	(58.253)
Less: Capital DEL	(2.039)
Add: IAS 19 Pension Cost through SOCNE	10.260
Add: Additional Scottish Government Funding	0.702
Total	49.330

Annually Managed Expenditure

Post-employment benefits (pensions) are accounted for using IAS 19. Each year, an actuarial calculation is carried out and SQA must make provision on our Statement of Comprehensive Net Expenditure (SOCNE) to reflect its share of the movement in overall provision. SQA's surplus for pensions in 2022-23 was £96.368m, with the previous year

surplus being £34.776m. Due to the size of the pension surplus, we are required by IFRIC 14 to place an asset ceiling on the amount declared in our statement of financial position (SOFP). We requested an additional calculation from our actuary, Hymans Robertson, and this has reduced the asset carried on the SOFP to £0.446m. This is the difference of the Net present value of future service costs, less the Net present value of future contributions. Any surplus/deficit in relation to pensions is recorded through Annually Managed Expenditure (AME) in the table above. Full supporting information and calculations are contained in note 18 to the accounts.

HM Treasury Resource

This relates to the employee benefit accrual which takes into account the additional days annual leave carried forward by staff. The increase is a direct consequence of the COVID-19 pandemic, with increased levels of leave carried forward and the unwinding of higher levels of carry forward allowed in accordance with SQA's policies during the height of the pandemic. The reduction in 2022–23 is due to a reduction in the average number of days carried forward by staff. The levels will return to normal by the end of FY 2023-24 as the carry forward amount returns to the normal level.

Key DEL income and expenditure categories

Income (2023 £49.084m, 2022 £47.031m)

SQA's income is generated from charging for the delivery of its products and services. Total income of £49.084m was earned in 2022–23, being entry charges £41.037m (2021–22 £40.087m) and other income £8.047m (2021–22 £6.944m).

The increase in entry charges of £0.950m is in mainly do a slight increase in NQ entries in the year. The increase in 'Other' income of £1.103m is due to a number of factors including the ongoing recovery post COVID-19, inflation and increased income due to a change in contractual terms with existing contracts.

Expenditure (2023 £106.698m, 2022 £79.207m)

Operational costs were £106.698m, being staff costs £60.340m (2021-22: £53.958m); other expenditure £42.000m (2021-22: £24.001m); and depreciation £4.358m (2021–22: £1.248m). Most of the expenditure exceeding our annual income of £49.084m is funded through our Resource DEL total of £43.225m.

Staff Costs (2023 £60.340m, 2022 £53.958m)

As disclosed in the Remuneration and Staff Report, total staff costs of £60.526m were incurred in year, of which £0.186m related to capitalised employee costs. The increase in staff costs is attributable to two main factors, firstly an increase in main diet temporary staff with the return of the full examination diet of £1.827m with the remainder of the increase is due to an increase in salary costs and social security payments in line with the Scottish Government pay policy.

Other Operating Expenditure and Taxation (2023 £42.000m, 2022 £24.001m)

Other expenditure increased significantly mainly due to an increase in diet related costs as FY 2022–23 saw us return to a full examination schedule. The main movements were seen in the following:

- ◆ appointee fees and expenses saw the biggest increase of £14.843m as significantly more appointee resources were required to fulfil all diet related activity
- ◆ other examination-related expenditure saw a combined increase of £1.650m
- ◆ staff-related costs increased by £0.352m as travel etc increased following the easing of covid restrictions
- ◆ IT costs saw an increase of £1.427m with the bulk of this increase relating to an increase in software maintenance costs
- ◆ PR marketing and publications saw an increase of £0.594m as activity returns to pre covid levels
- ◆ property costs saw a reduction of £0.867m mainly due to the removal of rental costs for Optima and Shawfair following the implementation of IFRS 16 being offset partially by an increase in costs due to an increase in external venue hire and a general increase overall in utilities etc

Depreciation (2023 £4.358m, 2022 £1.248m)

Depreciation and amortisation costs of £4.358m represent an increase of £3.110m over the previous year. The biggest reason for this increase is the adoption of IFRS 16 and the capitalisation of leases. The additional depreciation charge relating to leases accounts for £2.719m of the total. The remainder of the increase is due to a small reduction in w/back depreciation relating to asset revaluations.

Property, plant and equipment

Expenditure on capitalised property, plant and equipment during the year totalled £30.523m. The bulk of this total was the addition of the Right of Use Lease asset following the adoption of IFRS 16 which accounted for £29.174m of the total with Furniture and fittings £0.713m, IT hardware £0.594m and Plant and machinery £0.042 making up the remainder of the balance.

Intangible assets

Expenditure on intangible assets during the year totalled £0.690m. This was used to acquire IT software (£0.069) and to develop assets under construction (£0.621m), which mainly consist of new system implementations. Total capital spend includes £0.186m of staff costs which were capitalised in developing the assets.

Auditors

The accounts, for the year ended 31 March 2023, are audited by Audit Scotland, who were appointed by the Auditor General for Scotland. Further details on audit remuneration can be found in note 4 to the accounts.

Disclosure of information to auditor

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

Public Services Reform (Scotland) Act 2010

Statements of expenditure for 2022–23 in relation to the following can be found on SQA's website:

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

Supplier payment policy

SQA aims to pay suppliers within 10 days of receipt of a valid invoice and SQA achieved 93% in 2022–23 (90% 2021–22).

Performance analysis

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

Dealing with the legacy of COVID-19

During the period of this report SQA was still experiencing the effects of the COVID-19 pandemic. Annual exams were held in 2022, for the first time since 2019, but with modifications to the delivery and assessment of both these and our other qualifications. Contingency plans were also in place to deal with further possible health emergencies. Building on the experience of the two years under COVID, we supported the planning and delivery of Awarding 2022, and maintained our HNVQ portfolio of work-related qualifications and our contract delivery obligations.

As with most organisations, the pandemic has made enduring changes to the way we work. We continue to support staff to ensure they have the tools to enable them to complete their work, as well as having access to relevant and valuable personal development and health and wellbeing resources. At both Optima and Lowden, hybrid working has become the norm, and all colleagues are encouraged and supported to establish an appropriate and effective balance between office and home-based working.

Along with other public bodies, SQA has contributed relevant information on our experiences to the Scottish COVID-19 Inquiry, and is listed as a Rule 8 recipient of the enquiry.

Education Reform — replacement of SQA

At the same time as continuing to deliver our range of qualifications within the restrictions imposed by the pandemic, SQA itself is undergoing major changes. In March 2022 the Scottish Government announced that SQA would be replaced by a new qualifications body, which would be a non-departmental public body responsible for the delivery of SQA's awarding function. This follows from the OECD review of Curriculum for Excellence (June 2021), and Professor Ken Muir's report on Education Reform (March 2022). An independent review of qualifications and assessment led by Professor Louise Hayward was published on 22 June 2023. The Scottish Government will consider the findings and recommendations of this review, together with those of the Independent Review of the Skills Delivery Landscape led by James Withers, and the National Discussion on Scottish Education. To allow time for a full review of this evidence, the Scottish Government has paused the introduction of an Education Reform Bill. A revised timeline now envisages the new qualifications body being established in late 2025. The transition process to the new body continues to progress in line with these timescales.

Measuring performance

SQA's work is guided by our rolling three-year Corporate Plan. This is developed by the Executive Management Team, with strategic direction provided by the non-executive members of the SQA Board of Management and, in line with ministerial guidance, is

approved by Scottish Ministers. It has been developed and is regularly updated to align our activities with Scotland's National Performance Framework. The [2020–23 Corporate Plan](#) includes the five Outcomes we worked towards in the period covered by this report.

Progress towards our outcomes

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

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

Outcome 1: We provide a credible qualifications system

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

SQA takes the same approach when we operate outside of Scotland. Wherever SQA is operating, we ensure we play our part in delivering credible qualifications — taking what we already know to new markets and bringing any good practice we discover back to Scotland.

In this section we cover the following deliverables:

- ◆ National Qualifications delivery plan
- ◆ conduct an evaluation of the 2022 awarding programme
- ◆ Higher National, vocational and international delivery plan
- ◆ maintain, develop and improve our portfolio of qualifications
- ◆ positively engage and deliver against agreed roles and responsibilities within the Scottish Government's Education Reform Programme
- ◆ deliver contracts in line with service level agreements

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

National Qualifications

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

National Qualifications delivery to plan

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

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

Based on stakeholder feedback, SQA implemented a package of measures in 2021–22 to mitigate against any future COVID-19 disruption to the delivery of National

qualifications in the 2021–22 academic year and to allow the examination diet to take place in 2022.

This package of measures was based on the same three core principles underlying awarding in the 2019–20 and 2020–21 academic years:

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

The package of measures put in place in the 2021–22 academic year included:

- ◆ retaining modifications to National Course assessments in 2021–22
- ◆ an Examination Exceptional Circumstances Consideration Service that included a special consideration for COVID-19 related absence
- ◆ an approach to setting standards and grading in 2022 that was sensitive to the extent of any ongoing COVID-19 impact. The approach was grounded in evidence and took into consideration the significant modifications made to National Course assessments
- ◆ an Appeals Service, that used alternative evidence, available free of charge for all learners to access directly

SQA issued results certificates to almost 138,000 National Qualifications learners across Scotland on 9 August 2022 following the first exams since 2019. These were in addition to a wide range of other awards and certificates, including National Progression Awards, National Certificates, Skills for Work and SQA Awards.

Results showed that a significant package of support from across the education system had helped to mitigate against the impact of COVID-19 in what was a unique year for education.

While the significantly different circumstances and awarding processes of 2019, 2020, 2021 and 2022 do not allow for meaningful comparison or for conclusions to be drawn on changes in education performance, 2021–22 learners achieved a strong performance overall, and one of the strongest to date in any exam year.

Appeals

An appeals service was provided in 2022 as part of the overall package of support for learners who may have experienced disruption to their learning. It was discussed in detail with stakeholders via the National Qualifications working and steering groups and with SQA's Learner Panel.

Of the 680,836 entries in 2021–22, there were 58,037 appeals. The high number compared to previous years (including pre-pandemic) reflects the return to exam-based results, but with the continuation of learners being able to appeal directly, without a fee. A possible further factor is the continuing disruptive effect of COVID-19 on learners' circumstances. Of

the total number of appeals, 59.96% resulted in a grade change (34,798 requests, resulting in 34,796 upgrades and two downgrades).

As was the case in 2021, learners could appeal directly to SQA or via their centres. Appeals were free and could be submitted from Certification Day (8 August). Appeals were processed with the support of schools, colleges and training providers.

Appeals 2022 consisted of a holistic review of alternative evidence of learner performance across the academic year submitted by centres, together with a clerical check of external assessments where appropriate. Appeals were available to any learner not achieving the estimate provided by their centre. Grades could not go down unless both a clerical error was identified, and the alternative evidence did not support the original award.

Separately, learners were able to submit Estimate Amendment requests based on centre-acknowledged discrimination or failure to provide an assessment arrangement. This happened on fewer than five occasions and did not result in any grade changes.

Understanding Standards

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

The additional support material published throughout 2020–22, along with a wide range of candidate evidence and commentaries published before 2020, remained relevant in providing support to teachers and lecturers for session 2022–23.

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

Conduct an evaluation of the 2022 awarding programme

SQA's Policy, Analysis and Standards directorate carried out an evaluation of awarding of graded National Courses in 2022. The evaluation included: surveys, interviews and focus groups with learners, parents and carers, practitioners, senior appointees and SQA staff; statistical analyses; and desk-based research investigating how national assessment is being conducted in other jurisdictions.

Findings from this evaluation work informed policy decisions for the 2022–23 session, particularly the approach to post-results appeals and the move away from an independent review of alternative evidence while maintaining the principles of a learner-direct service that is free. Findings also informed the decision to remove modifications to most course assessments in 2023–24. It is hoped that this work may be useful when considering future models of qualifications and assessment in the upcoming reforms in Scotland.

Higher National, Vocational and International delivery to plan

Delivering HN and SVQ qualifications

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

The number of verification visits, and the decisions made by external verifiers, are carefully monitored, as is the resolution of any issues that emerge. Verification performance of HN and vocational qualifications has remained consistent over the previous four periods. For the period April 2022–March 2023, 2010 verification activities were completed (for comparison: 2021–22: 1730 activities). Of the 2010 activities, 1898 (94.43%) fully met national standards.

Vocational qualifications

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

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

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

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

	HNC/D, PDA, ACD	Regulated Qualifications	AWDs, NPAs and NCs	Total
New course/group award	19	19	12	50
Revalidation/re-accreditation	4	43	14	61
Withdrawal	4	15	5	24

New or revised qualifications include NPA in Climate Change and Sustainability at SCQF level 3 and level 4, NC in Zoo Animal Care, Behaviour and Welfare at SCQF level 6, PDA in Human Resource Management: an Introduction at SCQF level 7 and SVQ in Roofing Occupations (Construction) at SCQF level 6.

Withdrawal decisions were made as a result of regular user uptake analysis, carried out to identify low-uptake qualifications. These included a number of qualifications where the regulator encourages awarding bodies to remove low-uptake qualifications from their portfolio.

During the same period a higher than normal number of extensions to the accreditation period were completed and significant levels of support materials were provided. Incremental

change improved a number of group awards, and freestanding units were also created or revised following feedback from stakeholders.

	HNC/D, PDA, ACD	Regulated Qualifications	AWDs, NPAs and NCs	Total
Extension to accreditation period	n/a*	365	n/a	365
Incremental change to group award	43	n/a	2	45
Units created/revised	129	337	99	565
Assessment support materials created/ revised	133	49	51	233

*n/a = not applicable to this qualification type

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

Qualification	2021–22	2022–23	Year-on-Year Change
SVQs	23,023	24,353	1,330
Higher National Certificates	14,578	11,800	-2,778
Higher National Diplomas	11,311	6,973	-4,338
NPAs	20,649	23,969	3,320
PDAAs	6,537	7,421	884
Skills for Work	11,235	11,777	542
Awards	30,514	33,226	2,712
National Certificates	6,538	5,949	-589
National Workplace	29,871	24,001	-5,870
Customised Awards	6,178	5,287	-891
Advanced Certificates/Diplomas	734	4,884	4,150

Customised Awards

We currently have 339 active Customised Awards (2021–22: 396). We offer Customised Awards as a service. Employers and organisations contract us to develop qualifications that meet their particular requirements.

International delivery

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

Range of work

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

Human rights

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

Making connections

As travel restrictions are lifted, we have begun to travel internationally to ensure face-to-face connections are made to support our business development activities.

Benefits of international engagement

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

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

Maintain, develop and improve our portfolio of qualifications

NextGen: HN

Design, development and pilot delivery of our Next Generation Higher National qualifications continued during the period covered by this report. The piloting of 11 HNC and two HND qualifications began in 13 centres, and the corresponding HND qualifications are in development for delivery in 2023–24. Results from the pilot phases will inform the final shape of our new HNC/HND qualifications.

Digital assessment and learning services

Over the past year the Digital Assessment Services (DAS) team have continued to enhance the delivery of their services to support SQA.

Digital assessment, mainly available through SOLAR, has expanded, and key development processes have been updated to allow for further expansion of the service. Furthermore, planning has begun to pilot the use of digital assessment in the National Qualifications diet.

Our digital learning service, principally offered via SQA Academy, now supports more projects. In particular, digital learning is now offered directly to HN: Next Generation learners. Also within HN: Next Generation, the DAS team has been developing and piloting a range of digital innovations, such as the use of digital badges for online learning.

The expansion of all these services has led to the establishment of the DAS Helpdesk, which now offers cross-service user support. Across all of the DAS services there has been a focus on user-centred service enhancement and continuing improvement of digital accessibility. These core features will remain a key focus in the coming year.

Positively engage and deliver against agreed roles and responsibilities within the Scottish Government's Education Reform Programme

During 2022–23, SQA has worked on tasks commissioned by the Scottish Government to prepare for the new qualifications body which will replace SQA. Once this commission and the resources for it were agreed, a small core reform team was set up with support of colleagues in Business Systems and Communications. This core team has been working with the SQA senior leadership team to design the new body to the timeline and methodology set by Scottish Government. The overall Education Reform Programme is led by Scottish Government. Programme governance and external scrutiny and support is provided by: a delivery board which incorporates a wide range of stakeholders; a Scottish Government-led programme strategic board; and an external stakeholder reference group.

The commissioned tasks have seven outputs (referred to as 'deliverables'), which culminate in a target operating model and transition roadmap. Similar deliverables have been set for colleagues in Education Scotland who are creating an independent inspectorate and an education agency as part of the Education Reform Programme. We have adopted UK Public Sector Body design principles, which means we will be:

- ◆ user-centred
- ◆ collaborative
- ◆ digital by default
- ◆ data-focussed
- ◆ flexible to operating environment change
- ◆ a learning organisation
- ◆ operating in a sustainable way

Together with the user-centred 'Scottish Approach to Service Design', these design principles will help ensure that service improvements put users at the centre of the new body, and respond to the challenges set out in the Muir Report.

Current work includes:

- ◆ service improvements
- ◆ governance arrangements
- ◆ management systems and funding model
- ◆ new organisation design

In a Ministerial Statement to the Scottish Parliament on 22 June 2023, the Cabinet Secretary for Education and Skills announced that the proposed Education Reform Bill would not be introduced in the 2022–23 parliamentary session. Instead, the bill will be delayed until the 2023–24 session to allow the Scottish Government to consider the outcomes of a number of independent reviews, and how best to take forward their recommendations. The schedule now envisages that the new qualifications body will be established in late 2025, subject to parliamentary approval. The proposed legislation would establish a new non-departmental public body which will incorporate the awarding, accreditation and regulation functions currently discharged by SQA. The legislation will take into account the outcomes from the Independent Review of the Skills Delivery Landscape led by James Withers, the

Independent Review of Qualifications and Assessment led by Professor Louise Hayward, and the National Discussion on Scottish Education.

Deliver contracts in line with service level agreements

Services

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

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

In partnership with Capita, SQA is responsible for the marking of all Key Stage 2 tests in England on behalf of the Department of Education. As a result of the pandemic, Key Stage 2 tests in England were cancelled in 2020 and 2021, but returned to normal in May 2022. This first full delivery year saw SQA and Capita train over 4000 markers using a combination of online modules and video technology, and oversee the marking of almost 3.9m test papers.

Our long-standing contracts with the Driver and Vehicle Standards Agency (DVSA) and Maritime and Coastguard Agency (MCA) continue to deliver services in line with contractual service level agreements. We have also managed the successful delivery of the digital Reception Baseline Assessment (dRBA) trial on behalf of the Standards and Testing Agency (STA). In August 2022, the Street Works Qualifications Register (SWQR) contract reached 30 years of service delivery since August 1992. With this contract now in its 31st year of operation, we continue to focus on service improvements that will offer best value to the organisation and to our customers and stakeholders.

Accreditation delivery

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

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

	2021–22	2022–23
Approved awarding bodies	35	35

Regulation

SQA Accreditation's regulatory activity is carried out to ensure that awarding bodies comply with the Regulatory Principles and Directives. SQA Accreditation carried out a number of audits and provider monitoring visits in 2022–23:

	2021–22	2022–23
Audits	12	13
Provider monitoring reports	17	18
Provider monitoring visits	33	41

Our regulatory activity generally has increased from the previous year. However, activity still remains constrained due continued vacancy in roles, due to illness and secondments. Consequently, some audit and provider monitoring activity has had to be moved into the next audit cycle for 2023–24.

Accreditation of qualifications

At the end of 2022–23, SQA Accreditation had a total of 729 accredited qualifications (2021–22: 774). The breakdown of accredited qualifications is as follows:

	2021–22	2022–23
Scottish Vocational Qualifications (SVQs)	446	399
Other qualifications (such as competence-based or regulatory qualifications)	328	330

National Occupational Standards

SQA Accreditation performs a critical role in the Standards and Framework programme, where part of its remit is to quality assure National Occupational Standards (NOS), thus ensuring their fitness for purpose for inclusion in Scottish Vocational Qualifications. By the end of March 2023, 33 NOS projects had been completed out of a total of 53, and 19 of those remaining are underway.

Scottish Apprenticeships

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

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

Outcome 2: We are flexible in meeting customer needs

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

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

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

In this section we cover the following deliverables:

- ◆ implement an operational excellence methodology for SQA
- ◆ implement and embed the first phase of SQA's research and analysis strategy

Implement an operational excellence methodology for SQA

SQA is committed to delivering an operational excellence framework which will support people and teams across the organisation to systematically review ways of working and implement improvements that add value to our customers and supports the duty of Best Value in line with the Scottish Public Finance Manual.

Significant work has already been done to develop a range of tools which can be used consistently across SQA to support the drive to operational excellence. Educational and engagement activities are on track including the development of a range of case studies designed to bring the concept to life and highlight the tangible benefits that it can deliver. We are continuing to build our capability in lean methodology, service design and change management to embed and support our operational excellence framework.

Implement and embed the first phase of SQA's research and analysis strategy

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

The directorate was formed in June 2021 and during 2022, the research and evaluation team has been established, incorporating the well-established Research, Insight and Analysis team and recruiting research experts in social science and policy. A research and analysis strategy is in development and the team is developing a code of research practice for SQA that has ethics, equalities and sustainability at its heart. Associated training for SQA staff will be developed to ensure consistently high standards of research across the organisation. Following the evaluation of the 2021 Alternative Certification Model, we have completed an evaluation of NQ Awarding in 2022 and are planning an evaluation of NQ Awarding in 2023.

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

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

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

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

SQA knows that dialogue with the Scottish Government is a vital part of this, and that we must continue to make the case for the resources we need both for ongoing operations and in order to facilitate change, including in relation to the transition to new organisations as announced by the Scottish Government on 10 March 2022.

SQA also looks for appropriate opportunities to use what it does best to generate income from commercial activity. SQA must therefore also be competitive, alert for opportunities, and willing to take proportionate risks.

In this section we cover the following deliverables:

- ◆ ensure SQA is compliant with all legislative, statutory and regulatory requirements (including qualifications regulators)
- ◆ review and update all policies to ensure they are (i) up to date; (ii) consistently applied
- ◆ deliver financial balance in line with available resources
- ◆ complete the implementation of phase one of the ISO 9001 expansion programme
- ◆ enhance SQA's cyber maturity and resilience to ensure we are well equipped to withstand, defend against, manage, recover quickly, and learn from cyber incidents
- ◆ through effective use of our financial resource, implement the duty of Best Value in line with the Scottish Public Finance Manual

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

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

Requests for information and personal data

We received 160 freedom of information (FOI) requests, one more than in 2021–22. The number of requests for internal review went up from seven in 2021–22 to 15 in 2022–23. As with previous years, a small number of requests were complex and/or sensitive in nature and

it took longer than the required timescale of 20 working days to answer them. We answered 94% of requests within the required timescale, which is an increase of 8% on the 2021–22 response rate of 86%. Nine appeals were submitted to the Scottish Information Commissioner, one more than in 2021–2022.

Subject access requests (SARs) have increased to 658 (2021–22: 245). Although this is a significant increase on the previous year, it is largely in line with the number of requests received in 2019–20 (758). The increase is likely to be due to the return of the annual exam diet, with SQA once again holding information relating to candidates' final results that cannot be obtained elsewhere. All requests for personal information were dealt with within the required timescale.

Public Records (Scotland) Act 2011

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

Anti-corruption and anti-bribery

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

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

As with 2021–22, there were no instances of suspected financial irregularity identified in 2022–23. SQA has available a Fraud Response Group (FRG) that is attended by senior and executive team members of SQA. The FRG convenes on a case-by-case basis whenever a fraud referral is made, and seeks legal advice where required to assess each referral and to take appropriate next steps. SQA's Addressing Financial Irregularity policy covers the role of the FRG and has recently been refreshed and republished. Overall, this area has been given a higher priority through internal communications activity and has also been included in SQA's inductions programme for new staff. The fraud risk assessment introduced in 2021–22 is now integrated in our annual review of internal controls. This risk assessment has informed our refreshed training and communication strategy in 2022–23.

Review and update all policies to ensure they are (i) up to date; and (ii) consistently applied

The review and update of policies is distributed among several parts of SQA.

HR

HR have a structured review programme in place for the 40 policies they are responsible for. Under this programme, all equality impact assessments have been completed, and 39 policies have been through consultation with our trade unions. Of these, 20 reviewed and updated policies have now been published.

The one policy left for consultation with trade unions (Home Based Workers), is being dealt with alongside the new Hybrid Working policy.

Policies are reviewed every two years, with interim reviews if there are any changes in relevant legislation.

Policy, Analysis and Standards

At the beginning of the review programme in March 2021, there were 42 policies relating to aspects of qualifications development. All have been reviewed. One further policy remains to be approved by committee. All policies have been equality impact assessed.

Other policies

There are 40 further policies in the 'Governance and other' category, and of these, 18 remain to be updated. Policy owners are aware of this requirement, and will also be converting the policies to the new policy template.

Application of policies

All revised policies are communicated to staff through our intranet. Where appropriate, there is training and guidance for specific policies, and for the induction of staff new to line management. The consistent application of HR policies is overseen by SQA's Human Resources team, who undertake quality assurance.

Deliver financial balance in line with available resources

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

All figures relating to SQA's financial performance can be found in the Financial Performance report on page 21 and in section C Accounts starting on page 79.

Charging

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

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

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

Each year, SQA informs its customers (normally in advance of the academic year) of its fees structure for the coming year. These charges, which do not cover the full costs of running the

system, have been frozen since 2010, resulting in the need for additional grant support from the Scottish Government. This has been carried forward from the introduction of Curriculum for Excellence (CfE) in the financial year 2013–14.

Accreditation budget

SQA Accreditation is funded via grant-in-aid from Scottish Government. The current level of funding for 2022–23 is £1.025m. The budgeted expenditure on accreditation for 2023–24 is £1.2m.

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

Complete the implementation of phase one of the ISO 9001 expansion programme

We paused work on achieving full compliance with ISO 9001:2015 while we completed configuration and training of the new business process management (BPM) tool.

Documented processes are key to achieving ISO 9001 compliance and the BPM tool will assist us with this.

Enhance SQA's cyber maturity and resilience to ensure we are well equipped to withstand, defend against, manage, recover quickly, and learn from cyber incidents

Cyber attacks continue to present a significant – and growing – risk to most organisations. Additionally, as more staff have moved to home-based and hybrid working, it is generally agreed that this has involved an increased level of risk.

In this context, we have maintained our continuous and evolving schedule of work to enhance our cyber resilience and information security. We have drawn on the latest expertise, supported by a global cyber and software resilience partner, to shape and prioritise our schedule of defence activities. We have in place risk management and governance arrangements to allow cyber security activities, including an effective 'three lines of defence' model, to be appropriately prioritised and resourced.

In the past year, more security analysts have joined the IT Security team. We have completed a significant number of security activities, security process improvements and security testing. We have also introduced some enhanced security tools and upgraded some of our existing security tools.

Through effective use of our financial resource, implement the duty of Best Value in line with the Scottish Public Finance Manual Financial model

As we noted in the description of our business model in the overview at the start of Part A, many of our activities do generate significant income and provide a positive contribution to meeting our costs, thereby reducing the need for grant support from the public purse. Our comprehensive portfolio of qualifications supports the people of Scotland across a broad range of academic and vocational sectors. Schools, colleges, and training providers pay for the services they receive from SQA on the basis of a qualification entry fee charged for each

candidate. At the same time, there are SQA qualifications and awards which support key sectors of the economy and culture of Scotland, but which may have low uptake. The entry fees we charge do not cover the costs of developing and delivering such qualifications.

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

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

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

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

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

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

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

In this section we cover the following deliverables:

- ◆ ensure SQA has an engaged and diverse workforce which meets the needs of the organisation
- ◆ deliver the people strategy

Ensure SQA has an engaged and diverse workforce which meets the needs of the organisation

Employee engagement

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

Communication and feedback

Our annual People Survey was held in October 2022. The response rate of 72% was down on the previous year's survey (82%), but the engagement index has increased by 4 points to 73%. In line with the 2020 and 2021 surveys, a high percentage of respondents across the organisation (86%) said they were committed to helping SQA achieve its strategic goals. A total of 46 out of 58 benchmarked questions were above or in line with benchmark data from the Civil Service People Survey 2021 (40 out of 58 in 2021). The lower response rate, and

lower scores for two questions on how effective respondents felt the survey to be, suggested we should review the survey itself and how we use it. This review is now underway.

Because staff have a variety of working patterns, it has been more important than ever to keep our colleagues engaged with what's happening in SQA, as well as supporting them to keep connected with each other as we move forward to a hybrid working model.

Colleagues continue to have regular opportunities to engage with the Executive Management Team through 'Ask EMT' sessions, where colleagues can put questions to EMT and discuss SQA activities and goals. These sessions have been attended on average by some 400 colleagues (40% of staff).

There have been separate online events including reflections on the 2022 Results Day with EMT, and a session with Professor Louise Hayward to look at the Independent Review of Qualifications and Assessment.

SQA has a line management programme which empowers line managers to help their team members perform effectively in their role. It equips line managers with the required skills, knowledge and behaviours. The MyReview process enables line managers to have regular quality conversations with their team members and support performance and career development.

Employee voice

Employees' views are sought in a variety of ways on an individual and collective basis. We have continued to utilise our monthly Internal Communications Steering Groups, which are in place across directorates, to showcase highlights from teams and celebrate the achievements of colleagues.

Throughout 2022 we continued to champion the voice of colleagues through our monthly in-house newsletter, Inform, which has colleague-focused content and also includes updates from our employee networks and responsible business activities. The average readership for Inform was 579 colleagues. We also send a weekly intranet digest of corporate-focused news directly to colleagues via email.

On a collective level, we have a Joint Engagement Forum for consultation between management and our two recognised trade unions, Unite and Unison. This allows us to consult on matters of mutual interest and to commission work from short life working groups which report back to the forum for further discussion and decision making.

Within the People Policy review, unions and senior management have discussed changes to HR policies and procedures through a newly created Policy Review Group. All 39 HR policies have now been through full consultation and await publication. The group will continue to review policies on a regular basis and support other business areas by facilitating consultation on non-HR policies.

Early engagement is the key to ongoing positive relations with the trade unions, so we have a clear framework for restructuring exercises through the Case for Change process.

Fair Work Framework

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

- ◆ effective voice — Regular staff surveys; use of Short Life Working Groups (SLWG) which draw on the input of staff from various backgrounds and grades (see also previous section, 'Employee voice').
- ◆ opportunity — Apprenticeship, training, internal secondment and mentoring schemes support staff members at all stages of their career.
- ◆ security — SQA is a Scottish Living Wage employer, provides a good pension scheme, and has a transparent pay structure.
- ◆ fulfilment — SQA staff members can be supported through SVQ qualifications as part of their professional development and can become involved in CPD memberships and request financial support for further training.
- ◆ respect — SQA actively promotes equality, and supports workplace support networks.

Deliver the people strategy

Developing our organisational design and culture

We have put workforce planning on a firmer footing to assist planning and budgeting for 2023–24 across the business.

We have further developed our framework for performance and talent management, and offer values-led development opportunities for all staff members. Development programmes have returned to face-to-face delivery to support increased collaboration and engagement.

We continue to evaluate our organisational design process to ensure colleague and trade union engagement, and effective people change management. This is increasingly important to ensure agility and transparency as we progress towards SQA reform.

We have an obligation to deliver 'Best Value', so we have begun a programme of work to ensure we align our operational excellence, benefits management and ISO expansion programmes with our corporate goals. In 2022–23 we have worked to improve our capability in lean process improvement and change management methods. This will provide a foundation for the new organisation based on the organisational design principles prescribed by the Scottish Government.

Being a responsible business

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

based to 'level the playing field'. Three young people were successfully recruited to the programme and we will continue to promote and deliver this opportunity.

We have successfully embedded our virtual work experience programme during 2022–23, and this was promoted to all schools in September 2022. The programme has been accredited to the Virtual Work Placement unit level 4 and learners can now be registered to achieve this award on completion of our virtual programme.

A series of health and wellbeing activities and support materials were delivered to SQA colleagues during the year, with a strong focus on mental health. Our wellbeing strategy Investing In You was launched in January 2023 and offers colleagues a broad range of help for social, financial, physical and psychological wellbeing.

Smarter Working Programme

Both offices are now fully open and colleagues are making use of the new working environments as part of their smarter working arrangements. We aim to accommodate all colleagues' preferred balance between working at home and in the office, as far as possible within business needs.

Works in both offices are now complete and all colleagues are benefiting from the range of options available to support interaction between colleagues. The desk booking system allows staff to book office space for the days they wish to work there.

We were shortlisted for the Smarter Working Live awards in the category Improving Spaces — Creating a Great Place to Work. This is a UK award and to be shortlisted demonstrates the success of the Smarter Working Programme.

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

Central to our value proposition is the confidence that an SQA qualification can be trusted to mean the holder has the skills and abilities we say they do. In short, trust is the currency that gives SQA's qualifications value.

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

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

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

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

In this section we cover key results from our customer and stakeholder surveys and the deliverables:

- ◆ Build credibility and trust in SQA and begin the journey towards ensuring strong communication, deep engagement and meaningful collaboration are at the heart of the new organisation(s)
- ◆ deliver SQA's Environmental Impact Strategy

Build credibility and trust in SQA and begin the journey towards ensuring strong communication, deep engagement and meaningful collaboration are at the heart of the new organization

Communication and engagement

SQA is committed to continually improving its communications and engagement in order to build credibility and trust in the organisation and its qualifications.

Our communications strategy is based on:

- ◆ telling a clear and resonant story
- ◆ taking a bold and proactive approach, guided by audience insight
- ◆ engaging and collaborating with customers and stakeholders

The Communications Directorate teams work together with the rest of the organisation to:

- ◆ listen to what our customers and stakeholders need

- ◆ create clear and relevant communications to help meet those needs
- ◆ develop and use channels, particularly digital channels, to communicate and engage in the most appropriate way

Work this year has included developing bespoke learner materials, running social media campaigns, and media and parliamentary engagement. These have reached audiences in Scotland, the rest of the UK and overseas:

- ◆ 130,000 copies of Your National Qualifications issued
- ◆ activity to support recruitment of 20,294 appointees
- ◆ 177 communications, reaching over 77,000 practitioners
- ◆ campaigns to promote SQA's qualifications around the world

We recognise the importance of two-way engagement and welcome feedback which is used to continually improve the way we do things. We collect views from a wide range of sources, including:

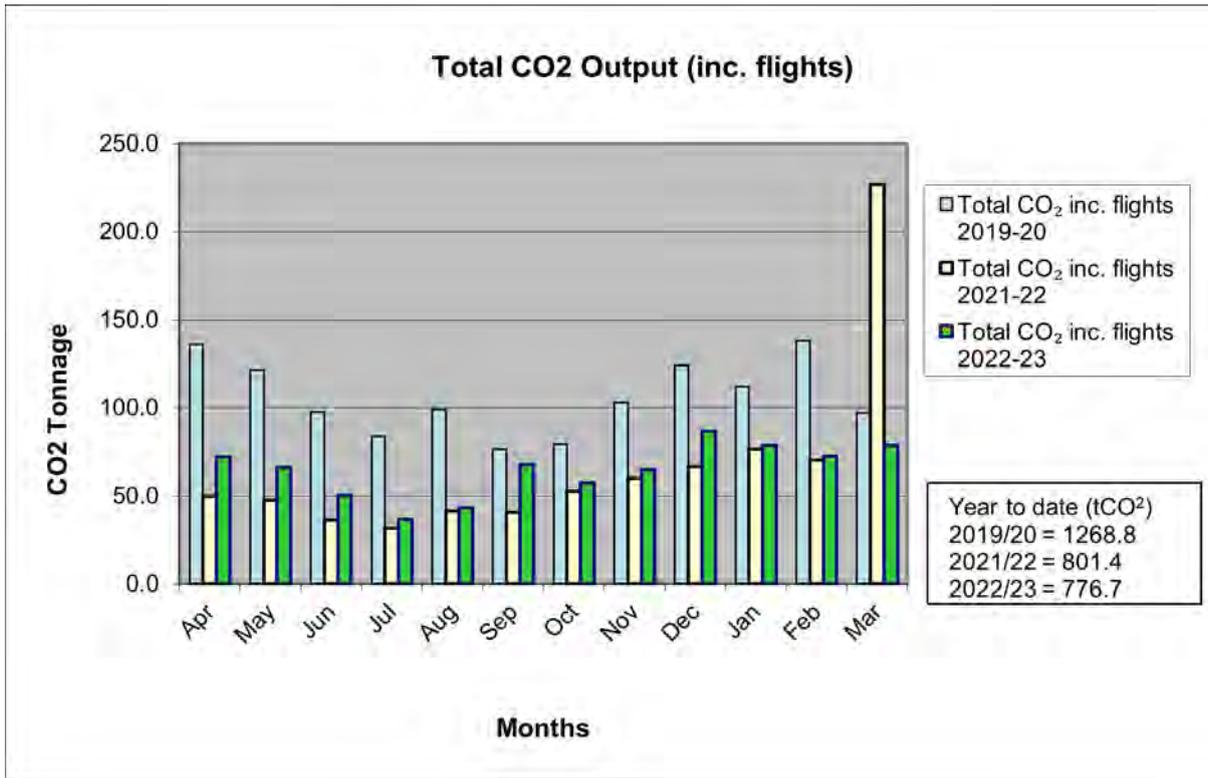
- ◆ the learner panel, run for SQA by the Scottish Youth Parliament to ensure young people's views are heard, 15 panels in 2022
- ◆ the National Qualifications (NQ) Group and Higher National and Vocational Qualifications (HNVQ) Group — membership is made up of representatives from across the whole education system and has discussed and provided advice regarding the development of approaches to assessment and certification in 2023
- ◆ direct contact with schools, colleges and training providers through our dedicated teams of liaison and regional managers, as well as through qualifications teams
- ◆ online events with SQA co-ordinators, local authority contacts, subject-specific Understanding Standards webinars, and online appointee meetings
- ◆ ongoing engagement with stakeholders and partners, such as teaching unions, directors of education and college principals, and parent bodies

Deliver SQA's Environmental Impact Strategy

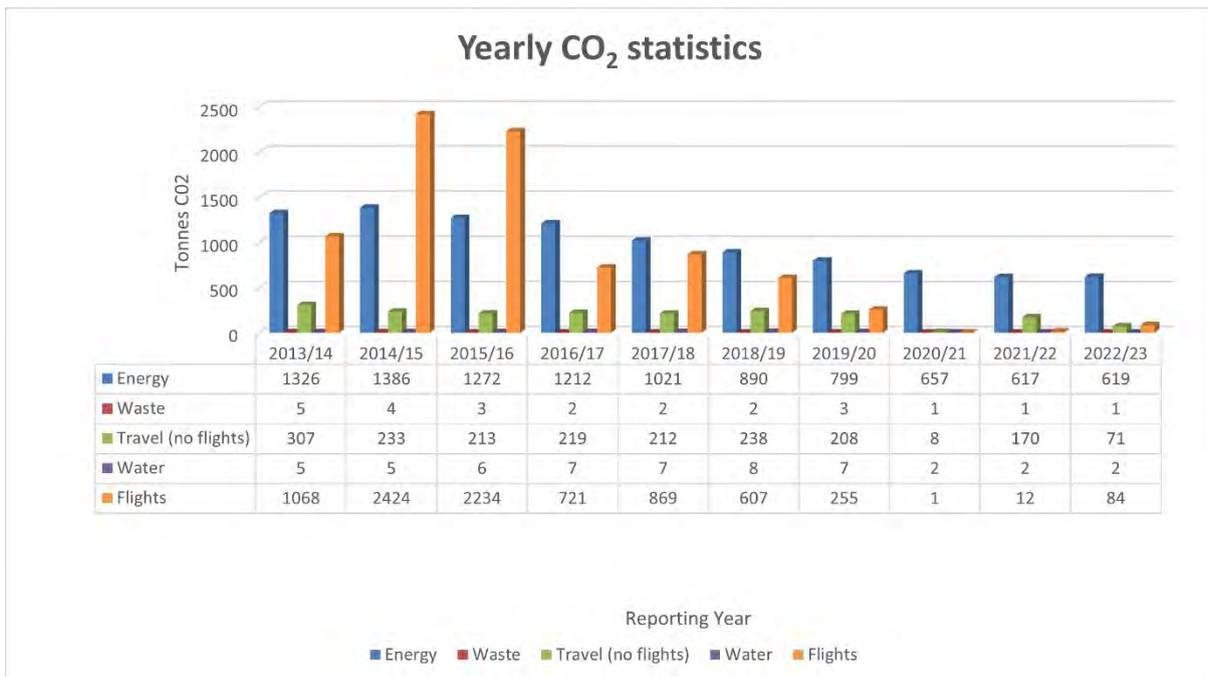
Environmental performance

Carbon emissions

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



Our efforts to reduce our carbon emissions align with the climate change emergency declared by the Scottish Government in May 2019, and both the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 and the Scottish Government policy on 'Decarbonisation in the public sector'. We report annually to the Scottish Government on our carbon emissions. We initially took part voluntarily, but this has since been made a requirement for all public bodies under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015, in line with the Government's 2045 Net Zero Target.



While we are seeing significant changes from the previous year, it is important to consider the impact of lockdown and our move towards smarter working. For this reason, we have also included 2019–20 totals as a pre-pandemic baseline visual.

2022–23 was almost on par with 2021–22, with a small saving of 24.7 tCO₂e (tonnes of carbon dioxide equivalent). Our commitment over recent years has been to maintain our carbon emissions at or below the level of the baseline year 2013–14 (1,643 tCO₂e). Our 2022–23 figure of 776.7 tCO₂e is nearly half this level.

Travel

Flights have increased from 12.3 tCO₂e to 83.7 tCO₂e as SQA business has resumed. This increase is largely attributed to rural and island domestic trips.

Most colleagues have chosen to work from home as part of the Smarter Working programme and this has kept overground travel low, especially with less travel required for diet 2024. There has been a drop of 106 tCO₂e since last year.

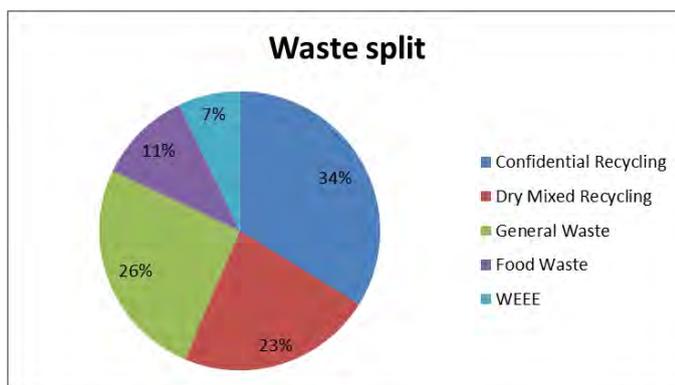
Positive measures taken during the year have included:

- ◆ the Smarter Working programme — environmental considerations have now been fully embedded into our ways of working.
- ◆ Lighting has been replaced with LEDs as part of our mechanical and electrical overhaul.

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

Recycling

The 31 tonnes recycled in 2021–22 can be compared to 53 tonnes in 2022–23. As always, we aim to put as little of our waste as possible in landfill. Most of our waste is now recycled in some way, with only a small amount of residual waste sent to landfill. 11 tonnes went to landfill in 2021-22 and 19.4 tonnes in 2022-23. This is attributable to the office refurbishment project.



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

The total waste-related carbon equivalent has increased by 0.2 tonnes CO₂e (2022–23) also due to changes in the emissions factors, which are provided annually.

Looking forward

As noted at the start of this performance analysis section, SQA is currently the subject of major changes. These will, in due course, see its functions taken up by a new non-departmental public body. As announced by the Scottish Government in March 2022, SQA's awarding function will transfer to the new qualifications body, as will the accreditation function (confirmed in November 2022). The Government's indicative timeline anticipates that the new body will be established by legislation after delivery of the national exam diet in 2024. A transition roadmap to the new body is expected by August 2023. In the meantime SQA continues its work, and will shortly publish its annual business plan for 2023–24.

Fiona Robertson
Accountable Officer and Chief Executive
Scottish Qualifications Authority
6 September 2023

B: Accountability Report

Corporate governance

Directors' report

Directors and their interests

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

Chair

David Middleton

Chief Executive

Fiona Robertson

Non-Executive Board Members

Anna Davis

Seán Hagney

Jane Handley

Dr Wendy Mayne

Hamish McKay (*until 30.01.2023*)

Grahame Smith

Prof Ken Thomson

Michelle Wailes (*from 24.01.2023*)

Executive Management Team

Michael Baxter, Director of Finance and Corporate Services

Elizabeth Black, Director of Policy, Analysis and Standards (*until 13.05.2022*)

Jean Blair, Director of Operations

John Booth, Director of Communications

Martin Campbell, Director of Business Systems (*from 05.09.2022*)

Lee Downie, Director of Business Systems (*until 19.08.2022*)

Margaret Farragher, Director of Policy, Analysis and Standards (*from 05.09.2022 to 03.02.2023*)

Dawnne Mahmoud, Director of People

John McMorris, Director of Business Development

Dr Gill Stewart, Director of Qualifications Development

Martyn Ware, Director of Policy, Analysis and Standards (*from 05.01.2023*)

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

Conflict of interest procedures

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

Personal data-related incidents

Section 6.4.3(f) of the Government Financial Reporting Manual (FrM) requires that organisations report on personal data-related incidents. In 2022–23, no breaches were reported to the ICO.

Statement of the Accountable Officer’s responsibilities

Under Section 16 of the Education (Scotland) Act 1996, Scottish Ministers have directed SQA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accrual basis, and must give a true and fair view of the state of affairs of SQA and of its income and expenditure, statement of financial position, and cash flows for the financial year.

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

- ◆ observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ◆ make judgements and estimates on a reasonable basis
- ◆ state whether applicable accounting standards as set out in the Government FrM have been followed, and disclose and explain any material departures in the accounts
- ◆ prepare the accounts on a going-concern basis
- ◆ confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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

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

2022–23 Governance statement

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

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

Scope of responsibility

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

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

Purpose of the system of internal control

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the organisation's policies, aims, and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness with some improvement required around cyber security and contract management activities and controls

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 2023 and up to the date of approval of the Annual Report and Accounts.

Governance and management structures

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

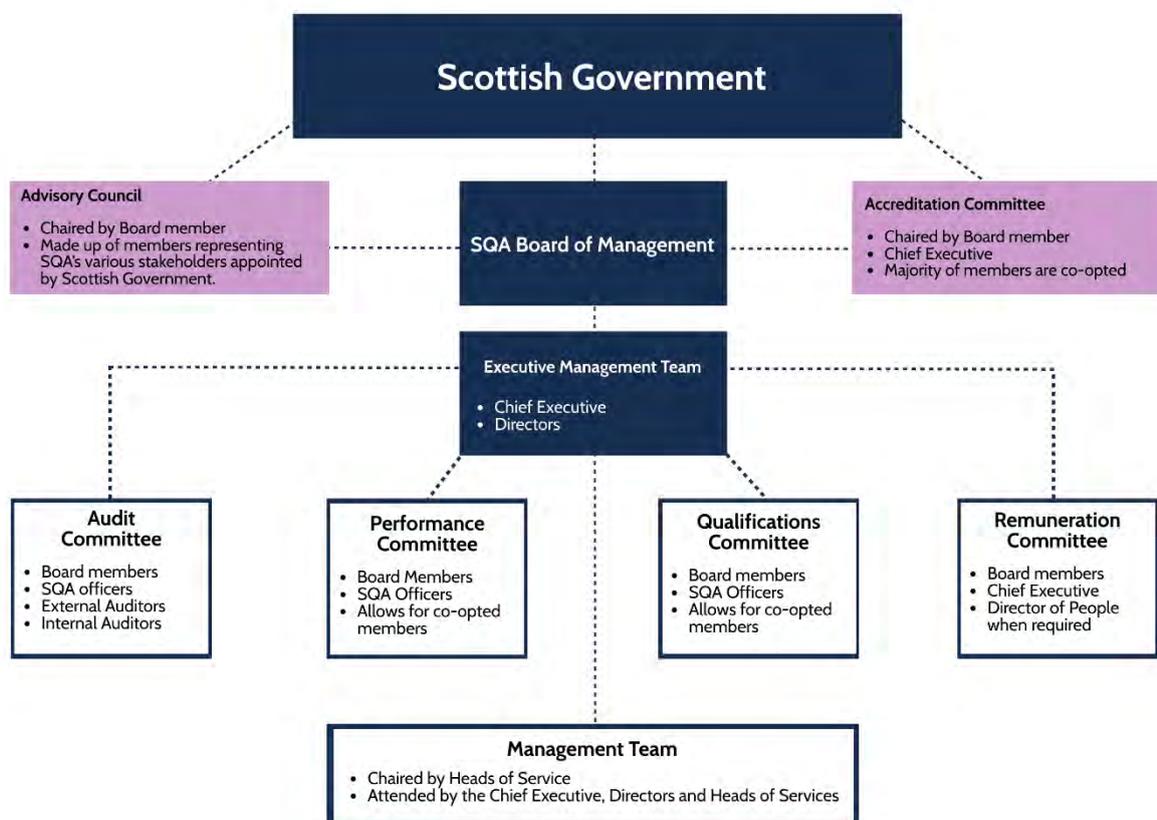
Sponsor

SQA is sponsored by the Scottish Government's Education Reform Directorate (previously Learning Directorate). As Accountable Officer, I and members of the Executive Management Team meet regularly with Ministers and/or colleagues at the Scottish Government, to provide an update on the organisation's progress. These meetings include discussion on matters such as policy development, performance, risks, and financial position. A representative of our sponsor directorate attends meetings of the Board of Management as an observer. Copies of Board and committee papers are also issued to our sponsor directorate. Monthly finance returns are provided to the Scottish Government as part of its financial management and control arrangements.

Board of Management

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

SQA Committee Structure



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

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

The Executive Management Team (EMT) oversees the day-to-day operations of SQA's work.

Advisory Council

The Advisory Council's primary role is to consider and advise SQA on the needs and views of our stakeholders in relation to our qualifications and awards. This advice helps us to develop, maintain, and deliver our portfolio. The Advisory Council comprises Jane Handley (convenor), Seán Hagney (deputy convenor), Grahame Smith, David Barnett, Wendy

Burton, Diane Greenlees, Sonia Kordiak, Margaret Lannon, Iain Hawker, David McDonald Tim Frew, Stuart McKenna, Colm Harmon and Stewart Nicholson. Further information on the remit and membership of [SQA's Advisory Council](#) can be found on SQA's website.

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

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

The remit of the Performance Committee is to support the Board in monitoring progress towards, and successful delivery of, our corporate objectives; to monitor performance of all SQA's activities; to monitor the achievement of best value in the public services; and to review and support the continued development of key performance indicators in alignment with the Scottish Government's National Performance Framework. The Performance Committee meets quarterly and comprises Anna Davis (convenor), Jane Handley, Hamish McKay (until 30.01.2023), and Michelle Wailes (from 24.01. 2023).

The Audit committee provides the Board with an independent and objective review of the effectiveness of control systems and the reporting scrutiny of corporate performance and risk management. In particular, the Audit Committee discusses SQA's Corporate Risk Register quarterly and considers reports from internal and external audit. The Board discusses risk as part of its strategic focus and sets the risk appetite profile for the organisation. The Audit Committee comprises of Hamish McKay (convenor) (until 30.01.2023), Michelle Wailes (convenor from 31.01.2023), Anna Davis, Dr Wendy Mayne, and Prof Ken Thomson.

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

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

	No. of ordinary meetings held	No. of extraordinary meetings held
Board of Management	6	0

Audit	4	0
Performance	4	0
Qualifications	6	0
Advisory Council	4	4
Accreditation	4	0
Remuneration	2	0

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

Assessment of corporate governance

SQA's Board of Management reviews its performance annually and considers the implications of this assessment for improving its effectiveness. The Chair of SQA's Board of Management undertakes annual appraisals with individual members of the Board. As part of the performance process, the Chairman and Board members also discuss and evaluate the performance of the Board and its committees in fulfilling their statutory functions.

Internal audit

SQA is currently undertaking a three-year plan for internal auditing, which runs from 2021 to 2024. The 2022–2023 audit plan was approved as part of this plan. The plan is subject to ongoing and annual review to ensure that it reflects changes in business requirements and takes account of any changes in SQA's risk profile. The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes, and to monitor progress with the implementation of agreed actions to address areas for improvement. SQA is committed to continuous improvement and to the timely implementation of agreed audit actions. Working remotely has not impacted on the delivery of internal audits, and processes have been adapted to accommodate gathering of evidence and interactions.

Grant Thornton was appointed to fulfil internal audit functions from April 2022 and undertook a total of ten internal audits in 2022–23. Specifically, these were:

- Governance
- Education Reform
- Awarding Programme 2022
- Financial Systems health check including Income and Receivables.
- Contract Management
- Qualifications Development
- Internal Communications
- Risk Management
- Cyber Security Review
- Ofqual compliance

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

As well as this outsourced audit activity, SQA has an in-house ISO audit programme operated by trained staff. The in-house auditors conducted four audits relating to ISO 27001 (Information Security) and two audits relating to ISO9001 (Quality Management Systems) during 2022-23.

Internal controls

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

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

The internal control statement for 2021–22 highlighted a compliance issue raised in correspondence from Ofqual and Qualifications Wales in early 2022. The issue concerned compliance requirements regarding centre malpractice, and activity planned to address these requirements.

During 2022–23, we revised our documentation on investigating centre malpractice in response to the compliance issue referred to above. The revised documentation will be published and applied from the end of March 2023.

Planning and performance framework

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

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

The corporate plan informs the development of separate business plans for each financial year between corporate plans. The Board of Management approved the 2022–23 business plan in March 2023. The business plan includes key deliverables, targets, milestones and indicators for the year immediately ahead, aligned to the NPF, and linked to budgeting information so that resources have been allocated to achieve specific deliverables.

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

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

Of the 16 deliverables we identified in 2022–23, some are a continuation from last year while some new ones have been added as we continue to adapt and deploy new and innovative ways to deliver for all our customers. It has never been more important to ensure we focus on the right things so that we can continue to deliver what matters most, while working with others to shape the changes that lie ahead.

Scottish Education Reform

On 9 March 2022, the Scottish Government announced that a new public body will be responsible for developing and awarding qualifications. It will replace the Scottish Qualifications Authority (SQA) and it will have a governance structure that is more representative of, and accountable to, learners, teachers and practitioners.

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

Following the publication of Professor Louise Hayward's independent review of qualifications and assessment, Scottish Government have paused the introduction of the Education Reform Bill. This is to allow them to consider the review's proposals alongside those of the National Discussion on Education, James Withers' Independent Review of the Skills Landscape, and Scottish Government's own Purpose and Principles for Post-School Education, Research and Skill decision making framework, in order to provide a holistic response to help reframe the education landscape in Scotland. The establishment of the new qualifications body is now expected to take place in late 2025, following the completion of that year's exam diet and subject to the passage of enabling legislation.

Programme management

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

Risk management

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

Significant risks facing SQA are listed in **Key issues and risks** on page 8 of the performance report. To confront and mitigate these, SQA has a risk, opportunity and issues management framework. This is subject to continued review by the Board, Audit Committee, the newly formed Finance and Performance Group, Risk and Opportunity Group and our

internal auditors. The risk, opportunity and issues management policy was last reviewed in March 2022.

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

SQA's Board of Management undertakes a strategic risk workshop to consider existing risks and new threats that the organisation may face in the future. We refer to this as Horizon Scanning and ensure a holistic approach is adopted which considers aspects of both risk management and business continuity when considering strategic decisions.

During 2022–23 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure successful delivery of our wide range of qualifications. It also now reflects the impact of the education reform announced in June 2021 which will lead to SQA's replacement.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity (BC). SQA has a full business continuity management system (BCMS) validation programme that includes regular maintenance of plans, exercises, and reviews. Work within the IT area of our Change Programme continues, with the aim of ensuring robust resilience for our systems, and a proven disaster recovery solution in our mission critical services.

On 6 December 2022 we carried out director training as part of a rolling schedule of business continuity training. The training was delivered by a third-party provider and focused on a national power outage (NPO) scenario. We considered the latest threats, as identified by the UK Government, worked through impacts and assessments, and the directors took part in a NPO related scenario, which included exercising their understanding of the Strategic Team Plan.

In 2022–23 we delivered a comprehensive business continuity training and awareness programme to all staff who have a role and responsibility in BC. We also plan to launch bespoke SQA Academy modules designed to support our business continuity co-ordinators in April 2023. IMT support staff were trained in September 2022 by our third-party provider, Plan B, to provide Business Continuity Essentials training in the fundamentals of managing BC. 6 of our IMT support and BC co-ordinators also benefited from completing additional training provided by the Business Continuity Institute to enhance their skills in this area of expertise. The IMT Lead and Support Team have also been trained by the SQA Compliance Team, providing practical incident management skills and 360 feedback.

Compliance with policies, procedures, laws, and regulations

SQA has structures in place that provide assurance of the existence and regular review of controls. Each policy has an assigned policy owner and author, and are maintained in a

comprehensive policy register. SQA is undertaking a comprehensive policy and practice review, and since September 2021, 110 policies have been reviewed (out of 139), 99 policies or practices have been refreshed, and 87 associated equality impact assessments (EqIAs) have been published on SQA's website.

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

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

Safeguards against losses

In addition to the Fraud Response Group (FRG), SQA has devised a new fraud risk assessment. This has been integrated in SQA's long-standing annual review of internal controls. This will continue in financial year 2023–24 as it has proved to be a useful addition to our financial and fraud controls.

As with 2021-22, there were no instances of suspected financial irregularity identified in 2022-23 against SQA. One matter identified in 2022-23 via a centre malpractice investigation identified potential financial irregularity against third parties out with the scope of SQA's responsibilities. Following consideration by the Fraud Response Group this matter has been referred to the relevant authorities for further investigation.

Integrity and reliability of information and data

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

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

SQA's Privacy Impact Review Group (PIRG) reviews data protection impact assessments (DPIAs) to ensure that any risks have been identified, along with appropriate mitigating actions, before confirming work can progress. DPIAs are used for new or changed systems, projects, contracts, policies, processes and programmes that include or have an impact on the processing of personal data.

Data sharing arrangements are in place where required.

Data Governance

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

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

The Director of Business Systems is the 'Data Governance Sponsor'. Heads of service who are responsible for managing our main data entities are represented at the Data Governance Strategic Group.

The remit of the group is to:

- ◆ drive data governance awareness and culture change within the organisation
- ◆ provide strategic direction and oversee policy, issues and communication
- ◆ act as final decision-making authority
- ◆ review execution of prior data decisions (and the related project activities)
- ◆ hold business and IT areas accountable
- ◆ resolve business policy and organisational issues relating to data based on recommendations from other data governance groups
- ◆ approve requests/initiatives. This may include approval of resources, funding, etc
- ◆ co-exist with other strategic groups

Efficiency, effectiveness, and economy

SQA is committed to ensuring that arrangements are in place that will lead to an economical, efficient, and effective use of the organisation's resources. The efficiency agenda forms part of SQA's annual planning and budgeting process, and efficiency savings that are measurable and sustainable are identified, budgeted, and monitored throughout the financial year. By continuing to embed a culture of efficiency, continuous improvement, and best value across the organisation, SQA plans to make savings that continue to support the Scottish Government's efficiency agenda in this financial year. No reductions in outputs or quality of service are expected as a result of this.

Review of effectiveness

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

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

effectiveness of the organisation's systems of internal control, together with recommendations for improvement

- ◆ Grant Thornton's internal audit opinion, which gives reasonable assurance
- ◆ comments made by the external auditors in their management letters and other reports

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

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

Remuneration and Staff Report

SQA's staff

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

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

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

Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS), administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Public Pensions Agency (SPPA). Both schemes are career average schemes (as of 1 April 2015). Employee contributions are based on actual pay as at 1 April for both the LGPS and STSS (see below). For 2022–23, employer's contributions of £6,985,731.12 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay, and 23% for STSS.

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

Strathclyde Pension Fund contribution rates 2022–23

Pay tranche	Contribution rate paid on that tranche
Up to and including £23,000	5.50%
Above £23,001 and up to £28,100	7.25%
Above £28,101 and up to £38,600	8.50%
Above £38,601 and up to £51,400	9.50%
Above £51,401	12.00%

Scottish Teachers Superannuation Scheme contribution rates 2021–22

Full-time equivalent pensionable pay	Contribution rate
Up to and including £29,186	7.2%
£29,187–£39,289	8.7%
£39,290–£46,586	9.7%
£46,587–£61,740	10.4%
£61,741–£84,190	11.5%
£84,191 and above	11.9%

SQA’s Non-Executive Board

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

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

Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The Committee meets a minimum of once a year. The members of the Committee during 2022–23 were:

David Middleton — SQA Chair and Convener of the Remuneration Committee

Grahame Smith — SQA Board Member and Member of the Remuneration Committee

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

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

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

Disclosure of remuneration

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

This section of the Remuneration Report is subject to audit.

	2022–23			2021–22		
	Salaries and other payments £'000	Pension accrued in year £'000	Total £'000	Salaries and other payments £'000	Pension accrued in year restated £'000	Total £'000
Chair						
David Middleton	25–30	–	25–30	25–30	–	25–30
Chief Executive						
Fiona Robertson	130–135	46	180–185	130–135	41	170–175
Non-Executive Board Members						
Eleanor Craig	–	–	–	0-5	–	0-5
Anna Davis	5–10	–	5–10	5–10	–	5–10
Seán Hagney	5–10	–	5–10	5–10	–	5–10
Jane Handley	5–10	–	5–10	5–10	–	5–10
Dr Wendy Mayne	5–10	–	5–10	5–10	–	5–10
Hamish McKay ¹	0–5	–	0–5	5–10	–	5–10
Grahame Smith	5–10	–	5–10	5–10	–	5–10
Roger Stewart	–	–	–	0-5	–	0-5
Prof. Ken Thomson	5–10	–	5–10	5–10	–	5–10
Michelle Wailes ²	0–5	–	0–5	–	–	–
Directors						
Michael Baxter	95–100	33	130–135	90–95	29	115–120
Elizabeth Black ³	10–15	–	10–15	75–80	24	100-105
Jean Blair	100–105	74	175–180	95–100	37	130–135
John Booth	90–95	38	130–135	70–75	23	90–95
Martin Campbell ⁴	65–70	32	100–105	–	–	–
Lee Downie ⁵	40–45	21	65–70	105–110	31	135–140
Margaret Farragher ⁶	35–40	–	35–40	–	–	–
Dawne Mahmoud	95-100	33	130–135	90–95	29	120–125
Elizabeth McGrath ⁷	50–55	130	180–185	–	–	–
John McMorris	100–105	52	150–155	95–100	33	130–135
Dr Gill Stewart	110–115	89	200–205	105–110	41	145–150
Martyn Ware ⁸	20–25	159	180–185	–	–	–

The total emolument of all directors, non-executive directors and the chair was £1,234,000 (2022: £1,109,000)

No benefits in kind were paid in 2021–22 or 2022–23.

There were no bonuses paid in 2022–23.

¹ Hamish McKay's term of appointment ended on 31.01.2023. Their full year equivalent salary was £5-10k.

² Michelle Wailes commenced employment with SQA on 24.01.2023. Their full year equivalent salary was £5-10k.

³ Elizabeth Black's employment with SQA ended on 13.05.2022. Their full year equivalent salary was £100–105k.

⁴ Martin Campbell's appointment as a director with SQA began on 25.07.2022. Their full year equivalent salary was £90-95k.

⁵ Lee Downie's employment with SQA ended on 19.08.2022. Their full year equivalent salary was £100–105k.

⁶ Margaret Farragher commenced employment with SQA on 05.09.2022. Their employment terminated on 03.02.2023. Their full year equivalent salary was £95–100k.

⁷ Elizabeth McGrath's appointment as a director with SQA began on 01.09.2022. Their full year equivalent salary was £90-95k.

⁸ Martyn Ware's appointment as a director with SQA began on 05.01.2023. Their full year equivalent salary was £90-95k.

	2022–23	2021–22
Band of highest paid director's total remuneration and % increase	£130–£135k –	£130–£135k 3.9%
Average % increase of all employees	5.9%	2.8%

Percentile pay*	2022–23			2021–22		
	25 th	Median	75 th	25 th	Median	75 th
	£27,295	£37,580	£45,845	£25,595	£35,609	£43,662
Ratios**	4.85	3.53	2.89	5.18	3.72	3.03
Staff pay range	from £20,808 to £130–£135k			from £19,108 to £130–£135k		

* Percentile pay gives the remuneration of the employee who falls at the quarter, middle and three quarter points of the SQA pay bands (excluding the highest paid employee).

** These figures give the ratio of the given percentile pay to the remuneration of the highest paid director. The reduction in these pay ratios is mainly due to the salary of the highest paid director remaining within the same pay band. This is compounded by an increase in the remuneration for the remaining workforce in line with Public Sector Pay Policy.

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

	Pensions entitlement earned 2022–23						
	Real	Real	Total	Total	Cash	Cash	Real
	increase	increase	accrued	accrued	equivalent	equivalent	increase
	in	in lump	pension	lump sum	transfer	transfer	in cash
pension	sum	at 31	at 31	value at 31	value at 31	equivalent	
		March	March	March	March	transfer	
		2023	2023	2022	2023	value	
	£'000	£'000	£'000	£'000	£'000	£'000	
Chief Executive							
Fiona Robertson	2.5–5	0–2.5	45–50	0–5	91	147	56
Directors							
Michael Baxter	0–2.5	0–2.5	30–35	0–5	55	96	41
Jean Blair	2.5–5	2.5–5	70–75	65–70	797	906	109
John Booth	0–2.5	0–2.5	35–40	0–5	17	48	31
Martin Campbell	0–2.5	0–2.5	30–35	0–5	71	106	35
Lee Downie	0–2.5	2.5–5	20–25	0–5	124	142	18
Dawnne Mahmoud	0–2.5	0–2.5	30–35	0–5	52	96	44
Elizabeth McGrath	5–7.5	2.5–5	125–30	10–15	331	376	45
John McMorris	2.5–5	0–2.5	50–55	5–10	357	431	74
Dr Gill Stewart	2.5–5	2.5–5	85–90	90–95	984	1118	134
Martyn Ware	7.5–10	7.5–10	155-160	25–30	367	506	139

Pensions entitlement earned 2021–22							
	Real increase in pension	Real increase in lump sum	Total accrued pension at 31 March 2022	Total accrued lump sum at 31 March 2022	Cash equivalent transfer value at 31 March 2021	Cash equivalent transfer value at 31 March 2022	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Fiona Robertson	2.5–5	0–2.5	40–45	0–5	55	91	36
Directors							
Michael Baxter	0–2.5	0–2.5	25–30	0–5	29	55	26
Elizabeth Black	0–2.5	0–2.5	5–10	0–5	–	19	19
Jean Blair	0–2.5	0–2.5	35–40	60–65	747	797	50
John Booth	0–2.5	0–2.5	5–10	0–5	–	17	17
Lee Downie	0–2.5	0–2.5	30–35	0–5	95	124	29
Dawnne Mahmoud	0–2.5	0–2.5	25–30	0–5	25	52	27
John McMorris	0–2.5	0–2.5	30–35	5–10	322	357	35
Dr Gill Stewart	2.5–5	0–2.5	40–45	85–90	1,056	984	(72)

The Chief Executive and all the directors, with the exception of Margaret Farragher and Elizabeth Black who both left upon cessation of employment, are ordinary members of the Strathclyde Pension Fund.

Staff Report

Number of senior staff (or equivalent) by band:

Grade	2022–23	2021–22
	Number of staff	Number of staff
Chief executive	1	1
Director	9	8
Head of service	37	31

Staff costs comprise:

	Executive Board Members	Non-Permanently Executive Members	Others employed staff		2022–23 Total	2021–22 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	982	64	36,644	2,188	39,878	34,410
Social security costs	130	3	3,902	–	4,035	3,405
Other pension costs	188	–	16,425	–	16,613	17,211
Severance and compensation	–	–	–	–	–	–
Sub-total	1,300	67	56,971	2,188	60,526	55,026
Less recoveries in respect of outward secondments	–	–	–	–	–	–
Total net costs	1,300	67	56,971	2,188	60,526	55,026

Included within wages and salaries are additional costs in relation to capitalised salary costs of £186,000 (2022: £1,068,000).

Average number of persons employed

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

	Permanent Staff	Others	2022–23 Total	2021–22 Total
Awarding and related activities	916	94	1010	973
Accreditation	19	1	20	20
Total	935	95	1030	993

Staff Composition

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

Grade	2022			2021		
	Male	Female	Total	Male	Female	Total
Chief Executive	–	1	1	–	1	1
Directors	5	4	9	4	4	8
Non-Executive Board Members	5	4	9	5	3	8
Senior employees	21	16	37	18	13	31
Other	375	638	1013	358	598	956
Total Headcount	406	663	1069	385	619	1004

Absence and turnover

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

Our absence rate in the year 2022–23 was 3.93%. This rate has increased over the past two financial years (2021–22: 3.68%; 2020–21: 2.29%). We track our absence level against a public sector benchmark of 4.60%.

Our turnover rate in the year 2022–23 was 8.88%. The rate has increased over the past two financial years (2021–22: 5.47%; 2020–21: 5.45%). We track our turnover level against a public sector benchmark of 14.60%.

Our absence and turnover rates remain below the public sector benchmark.

Flexibility

SQA understands the benefits of flexible working practices for the organisation and its employees and is committed to supporting work-life balance through support for flexible working arrangements for staff. It is part of our commitment to the Fair Work Framework, which we signed up to in 2016.

Flexible working gives employees more options about how long, where and when they work. At the end of 2022–23, 29.26% of our organisation were on flexible working contracts, 2.46% higher than at the end of 2021–22. Over the past two years this figure has increased by 5.23%

Staff policies applied

SQA continues to be a recognised Disability Confident Employer. We progressed from Disability Confident Level 2 to Disability Confident Leader Level 3 recognition in September 2022.

This means that the organisation has made a commitment to:

- ◆ actively look to attract and recruit disabled people
- ◆ provide a fully inclusive and accessible recruitment process
- ◆ offer an interview to disabled people who meet the minimum criteria for the job

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

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

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

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

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

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

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

Other employee matters

SQA's gender pay gap as at November 2022 was 5.3% (ie average hourly female salary was 94.7% of average hourly male salary — the figure for January 2022 was 5.6%). This is lower than Scotland's overall median gender pay gap of 10.1%.

This is the third year in a row there has been a decrease in the mean gender pay gap — it is down by 0.3% from 5.6% last year, and there is a 1.7% decrease over the three-year period since 2020.

We published our most recent Equality Mainstreaming Report in April 2023, which is available [on our website](#). Data for 2023 will be made available in April 2024.

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

Scottish Government's announcement in June 2021 to replace SQA meant that workforce planning processes have to take particular consideration of the following financial year's capacity and capability requirements. The time horizon in some planning respects has shortened from three years to one year to take this into account. These plans were shared with the finance teams to support financial planning for 2023–24. The sessions took place in September, and budget submissions were made in November 2022.

Employee involvement/consultation and wellbeing

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

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

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

We carry out an annual People Survey, to take an in-depth sounding of staff opinion. Details of the results of the last survey held in October/November 2022 are given in the Performance Report on page 42.

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

Trade unions

We recognise the importance of good industrial relations and effective communication with all our colleagues. SQA recognises two trade unions: Unite and Unison. Last year an internal audit was conducted on the effectiveness of our engagement with trade unions. The output of this audit was largely positive with the only recommendation being to implement an evaluation process to enable us to evaluate the effectiveness of engagement on a regular basis. In the absence of any framework to allow this evaluation to take place it was agreed that SQA and the trades unions will continue to have open and honest communication and if there are issues these get resolved at the earliest opportunity. We are also working collaboratively on several important matters of mutual interest, including policy review, driving diversity and inclusion, and planning our resources in response to changing circumstances and demands on the organisation. We are entering a period of significant change for the organisation and therefore our relationship with the trade unions and how we work collaboratively could not be more important. We will be working closely with the trade

unions to develop methods of communication to ensure all colleagues feel connected to the organisation and their teams in these times of change.

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

Relevant union officials

Number of employees who were relevant union officials during the relevant period	11
Full-time equivalent employee number	11

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	£38,859
Total pay bill	£60.526 million
Percentage of total pay bill spent on facility time	0.06%
Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time	13.86%

Consultancy

Consultancy for 2022–23 was £83,000 (2021–22 £100,000). Further details in relation to this can be found in the Public Services Reform (Scotland) Act 2010 information published on our website.

Exit packages

There were no exit packages during 2022–23.

Parliamentary and Accountability Report

Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £49.1m in 2022–23 (2021–22 £47.0m).

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

Income	2022–23	2021–22
	£'000	£'000
Entry charges*	41,037	40,087
Other income**	8,047	6,944
Total fees	49,084	47,031

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

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

Losses and special payments

The Statement of Comprehensive Net Expenditure includes losses which comprise a write-off of IT assets of £nil (previous year £4k), and irrecoverable debt of £18k (previous year £nil). The bad debt provision of £431k (previous year £392k) is disclosed in note 11.

Remote contingent liabilities

There were no contingent liabilities at 31 March 2022 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

Fiona Robertson

Accountable Officer and Chief Executive
Scottish Qualifications Authority

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Qualifications Authority for the year ended 31 March 2023 under the Education (Scotland) Act 1996. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022–23 Government Financial Reporting Manual (the 2022–23 FReM).

In my opinion the accompanying financial statements:

- ◆ give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022–23 FReM; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ◆ using my understanding of the central government sector to identify that the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- ◆ inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- ◆ inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- ◆ discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- ◆ considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator,

the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

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

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

C: Accounts 2022–23

Statement of comprehensive net expenditure

for the year ended 31 March 2023

	Note	2022–23 £'000	2021–22 £'000
Expenditure			
Staff costs	3	60,340	53,958
Depreciation and amortisation charges	8(ii)	4,358	1,248
Other expenditures	4	41,560	23,638
Tax	4	440	363
		<hr/>	<hr/>
		106,698	79,207
Income			
Entry charges	5	41,037	40,087
Other income	6	8,047	6,944
		<hr/>	<hr/>
		49,084	47,031
Net expenditure		(57,614)	(32,176)
Interest payable	7	(639)	(935)
		<hr/>	<hr/>
Net expenditure after interest		(58,253)	(33,111)
Other comprehensive net expenditure:			
Actuarial gain/(loss) on defined benefit pension scheme	18	29,393	34,776
		<hr/>	<hr/>
Total comprehensive net expenditure for the year		(28,860)	1,665

The notes on pages 844–109 form part of these accounts.

Statement of financial position

as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	8(i)	31,110	4,016
Intangible assets	9	5,898	7,421
Trade and other receivables	11	14	837
Defined benefit asset	18	446	–
Total non-current assets		<u>37,468</u>	<u>12,274</u>
Current assets			
Trade and other receivables	11	25,183	23,295
Cash and cash equivalents	12	6,336	6,184
Total current assets		<u>31,519</u>	<u>29,479</u>
Total assets		<u>68,987</u>	<u>41,753</u>
Current liabilities			
Trade and other payables	13	(11,608)	(10,618)
Right of use of asset Lease	13	(2,719)	–
Total current liabilities		<u>(14,327)</u>	<u>(10,618)</u>
Non-current assets plus net current assets		<u>54,660</u>	<u>31,135</u>
Non-current liabilities			
Trade and other payables	13	(328)	(715)
Right of use of asset Lease	13	(23,736)	–
Provisions for liabilities and charges	14	(367)	(384)
Defined benefit liability	18	–	(18,687)
Total non-current liabilities		<u>(24,431)</u>	<u>(19,786)</u>
Assets less liabilities		<u>30,229</u>	<u>11,349</u>
Taxpayers' equity			
Revaluation reserve		2,558	3,843
General reserve		27,671	7,506
Total taxpayers' equity		<u>30,229</u>	<u>11,349</u>

The Accountable Officer authorised these financial statements for issue on 6 September 2023.

Fiona Robertson
Accountable Officer and Chief Executive
Scottish Qualifications Authority

The notes on pages 844–109 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2023

	Note	2022–23 £'000	2021–22 £'000
Cash flows from operating activities			
Net expenditure after interest		(58,253)	(33,111)
Adjustments for non-cash items			
Depreciation and amortisation	8(ii)	4,358	1,248
(Gain)/Loss on non-current assets	4	–	4
Notional Optima rent	4	2,316	2,256
Decrease in revaluation reserve		(1,285)	2,001
Revaluation of property, plant and equipment	8(i)	570	(1,174)
Revaluation of intangible assets	9	715	(828)
Decrease in defined benefit liability cost	18	10,260	11,806
Movements in working capital			
Decrease/(Increase) in trade and other receivables	11	(1,065)	(82)
Increase/(Decrease) in trade and other payables	13	3,709	162
Movements in provisions and long-term liabilities			
Increase/ (Decrease) in provisions	14	23,348	(77)
Net cash inflow / (outflow) from operating activities		(15,327)	(17,795)
Cash flows from investing activities			
Purchase of property, plant and equipment	8(i)	(1,349)	(158)
Purchase of intangible assets	9	(690)	(1,898)
Adjustments for non-cash items			
Right of use — Asset Lease		(29,174)	–
Net cash outflow from investing activities		(31,213)	(2,056)
Cash flows from financing activities			
Scottish Government Grant-in-aid Funding	15	43,225	18,678
Scottish Government Programme Funding	15	1,428	1,025
Scottish Government Capital Funding	15	2,039	2,500
Net financing		46,692	22,203
Net (decrease)/increase in cash and cash equivalents in the period		152	2,352
Cash and cash equivalents at the beginning of the period		6,184	3,832
Cash and cash equivalents at the end of the period		6,336	6,184

The notes on pages 844–109 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2023

	Note	Revaluation reserves £'000	General reserve £'000	Total reserves £'000
Balance at 31 March 2021		1,842	(18,637)	(16,795)
Changes in taxpayers' equity for 2021–22				
Net (gain) on revaluation of non-current assets		2,001	–	2,001
Actuarial gain/(loss)	18	–	34,776	34,776
Unfunded benefits paid	14	–	19	19
Notional funding		–	2,256	2,256
Net expenditure after interest		–	(33,111)	(33,111)
Total recognised income and expense for 2021–22		3,843	(14,697)	(10,854)
Scottish Government funding	15	–	22,203	22,203
Balance at 31 March 2022		3,843	7,506	11,349
Changes in taxpayers' equity for 2022–23				
Net gain / (loss) on revaluation of non-current assets		(1,285)	–	(1,285)
Actuarial gain/(loss)	18	–	29,393	29,393
Unfunded benefits paid	14	–	17	17
Notional funding		–	2,316	2,316
Net expenditure after interest		–	(58,253)	(58,253)
Total recognised income and expense for 2022–23		2,558	(19,021)	(16,463)
Scottish Government funding	15	–	46,692	46,692
Balance at 31 March 2023		2,558	27,671	30,229

The notes on pages 84–109 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

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

The accounts have been prepared in accordance with the 2022–23 Government Financial Reporting Manual (FReM) issued by HM Treasury. Accounting policies set out in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the policy judged by SQA for the purpose of giving a true and fair view has been used. Policies described below have been applied by SQA consistently in dealing with items considered material to the Accounts.

1.1 Accounting convention

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

1.2 Going concern

The Board of SQA has no reason to believe that future sponsorship and future ministerial approval will not be forthcoming or will provide only a reduced support to SQA. The Scottish Government recognises in the Budget Allocation and Monitoring Letter that SQA will require additional core grant-in-aid to meet operational costs in addition to that provided for in the 2023–24 Budget Bill. The Board has therefore considered it appropriate to adopt a going-concern basis for preparation of these financial statements.

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

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

1.3 Property, plant and equipment

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

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

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

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

Assets will have their useful life estimated throughout the period they remain in use and assets where additional or reduced life has been identified have been revalued to recognise their current value in use.

The threshold for capitalising assets is £3,000.

1.4 Depreciation

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

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

Assets may continue in use beyond their initial estimated useful life. For these assets an estimation is made of the remaining useful life along with a subsequent adjustment to recognise remaining value in use.

Assets during construction are not depreciated until 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 lower of depreciated replacement cost and value-in-use. Non-income-generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

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

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

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

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

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

Assets will have their useful life estimated throughout the period they remain in use and assets where additional or reduced life has been identified have been revalued to recognise their current value in use.

1.6 Income recognition

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

For Nationals 1–5, Higher, and Advanced Higher qualifications, income is recognised based on the level of service provision that has been delivered by 31 March in the academic year. Income from HN and VQ entries is spread over the duration it takes the candidate to complete the group award.

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

1.7 Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at Statement of Financial Position date. Any gain or loss arising on the restatement of such balances is taken to the Statement of Comprehensive Net Expenditure.

1.8 Leases

Following implementation on 01 April 2022 of IFRS 16, SQA recognises a right-of-use (RoU) asset at the 01 April 2022, measured initially at cost. This comprises initial amount of the lease liability adjusted for any lease payments made during the year.

The RoU asset is subsequently depreciated on a straight-line basis from commencement date over the shorter of useful life of the underlying asset and lease term. The RoU asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. SQA presents RoU assets within Non-current assets in the Statement of Financial Position and the depreciation charge is recorded within Depreciation, amortisation and provisions in the SoCNE statement.

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date.

There are no assets held under finance leases.

1.9 Financial instruments

Financial instruments are recognised in the Statement of Financial Position when an obligation is identified and released as that obligation is fulfilled. Cash, debtors, and creditors are held at cost. As SQA's income is derived mainly from public sector organisations, it is not subject to any significant liquidity risk exposure. Any cash held on deposit is with highly rated banks and there is no significant interest-rate risk. SQA operates two bank accounts denominated in foreign currencies (Euro and US Dollar). Both are reconciled monthly, whereupon any gains or losses on their translation to GBP are taken to the Statement of Comprehensive Net Expenditure. Due to low value of balances held in these accounts there is no significant currency risk to SQA.

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

1.10 Grants receivable

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

1.11 Provisions

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

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

1.12 Taxation

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

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

1.13 VAT

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

1.14 Pensions

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

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

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

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

1.15 Significant estimations and judgements

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

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

1.16 Changes in estimation techniques

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

The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £3.765m.

However, the assumptions interact in complex ways. During 2022–23, the actuaries advised that the remeasured net pension liability had decreased by: £97.050m attributable to the updating of financial assumptions; £0.136m attributable to changes in demographic assumptions; and had increased £13.130m due to other experience. The net liability had reduced to a lesser extent mainly due to a reduction on expected return on pension fund assets of £22.464m.

1.17 Impending application of newly issued accounting standards not yet effective

All new standards issued, and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM which is in force for the year in which changes become applicable.

There are no new standards deemed relevant for FY 2022/23.

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. Entry charge levels for Scotland are agreed with Scottish Government Ministers each year. Grant funding may be available for development work within this service block.

Accreditation and Education Reform activities

Accreditation and Education Reform activities are grant funded by 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.

	Awarding and related activities £'000	Accreditation £'000	Education Reform activities £'000	Total £'000
2022–23				
Staff costs	58,926	1,011	403	60,340
Depreciation	4,358	–	–	4,358
Other expenditures	41,467	93	–	41,560
Taxation	440	–	–	440
Total expenditure	105,191	1,104	403	106,698
Entry charges	41,037	–	–	41,037
Other income	8,047	–	–	8,047
Scottish Government funding	45,264	1,025	403	46,692
	94,348	1,025	403	95,776
Funding credited to reserves	(45,264)	(1,025)	(403)	(46,692)
Total income	49,084	–	–	49,084
Net expenditure	(56,107)	(1,104)	(403)	(57,614)
2021–22				
Staff costs	52,954	1,004	–	53,958
Depreciation	1,248	–	–	1,248
Other expenditures	23,541	97	–	23,638
Taxation	363	–	–	363
Total expenditure	78,106	1,101	–	79,207
Entry charges	40,087	–	–	40,087
Other income	6,944	–	–	6,944
Scottish Government funding	21,178	1,025	–	22,203
	68,209	1,025	–	69,234
Funding credited to reserves	(21,178)	(1,025)	–	(22,203)
Total income	47,031	–	–	47,031
Net expenditure	(31,075)	(1,101)	–	(32,176)

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

3 Staff costs

	2022–23	2021–22
	£'000	£'000
Wages and salaries	39,692	33,342
Social security costs	4,035	3,405
Other pension costs	16,613	17,211
Severance and compensation	–	–
Sub-total	60,340	53,958
Less recoveries in respect of outward secondments	–	–
Total net costs	60,340	53,958

In addition to staff costs recorded above there were capitalised salary costs of £186,000 (2022: £1,068,000).

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

4 Other expenditures

	2022–23		2021–22	
	£'000	£'000	£'000	£'000
Appointee fees		14,589		2,541
IT costs		7,288		5,861
Business development specialists' fees and expenses		6,168		5,709
Property expenses		3,033		1,239
Appointee expenses and related cost		2,061		278
Postage and telephone		1,567		851
PR, marketing and publications		1,475		881
Appointee release compensation		1,387		374
Miscellaneous staff costs	672		533	
Staff training	218		207	
Staff travel	132		20	
Staff subsistence	97		18	
Catering for internal and examination procedures meetings	14		3	
Staff related costs		1,133		781
Miscellaneous		801		1,165
Property rent and service		666		3,328
Equipment and supplies		561		360
Question paper production and printing		457		124
Corporation Tax		440		363
Assessment stationery and certificates		374		146
		<u>42,000</u>		<u>24,001</u>

Property Rental costs have now been removed from Property rent and services and are now treated as depreciation following the adoption of IFRS 16. (2022: £2,719,000)

Included within Miscellaneous is £65,230 (2022: £49,950) relating to External Audit fees.

Included within Miscellaneous is £nil (2022: £4,000) relating to loss on sale of fixed assets.

2022-23	2021-22
£'000	£'000

5 Entry charges

National Qualifications:

National Courses and Units

30,744	29,683
<u>30,744</u>	<u>29,683</u>

Higher National Qualifications

Scottish Vocational Qualifications

5,980	6,127
4,313	4,277
<u>41,037</u>	<u>40,087</u>

6 Other income

Commercial testing services

Customised award charges

Consultancy, secondments and research

Replacement certificate charges

Royalty income

Income from investments for unfunded pensions

Miscellaneous income

7,116	5,821
448	725
234	116
224	218
57	47
18	-
(50)	17
<u>8,047</u>	<u>6,944</u>

7 Interest payable

Finance cost of discounted SQA unfunded pensions provision

Pension provision cost (note 18)

(6)	5
(633)	(940)
<u>(639)</u>	<u>(935)</u>

8 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant and machinery £'000	Furniture and fittings £'000	Right of use Asset Lease £'000	Total £'000
Cost or valuation							
At 1 April 2022	7,359	3,075	89	152	510	–	11,185
Additions	–	594	–	42	713	29,174	30,523
Reclassifications	–	22	–	–	284	–	306
Disposals	–	(347)	–	–	–	–	(347)
Revaluation Adjustment	(294)	(284)	(14)	(29)	51	–	(570)
At 31 March 2023	7,065	3,060	75	165	1,558	29,174	41,097
Depreciation							
At 1 April 2022	4,759	1,931	63	103	312	–	7,168
Charged in year	175	266	–	1	187	2,719	3,348
Reclassifications	–	–	–	–	–	–	–
Disposals	–	(347)	–	–	–	–	(347)
Revaluation Adjustment	(175)	18	2	4	(31)	–	(182)
At 31 March 2023	4,759	1,868	65	108	468	2,719	9,987
Net book value							
At 31 March 2023	2,306	1,192	10	57	1,090	26,455	31,110
At 31 March 2022	2,600	1,144	26	49	197	–	4,016
Asset financing:							
Owned	2,306	1,192	10	57	1,090	–	4,655
Finance lease	–	–	–	–	–	26,455	26,455
Net book value at 31 March 2023	2,306	1,192	10	57	1,090	26,455	31,110

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

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

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

(ii) Depreciation and amortisation charges

	Note	2022–23 £'000	2021–22 £'000
Depreciation charge for the year	8(i)	3,166	271
Amortisation and impairment charge for the year	9	1,192	977
Total charge for the year		<u>4,358</u>	<u>1,248</u>

9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2022	300	278	11,569	1,664	13,811
Additions	–	–	69	621	690
Reclassifications	–	–	–	–	–
Transfers	–	–	362	(668)	(306)
Revaluation Adjustment	(10)	16	(721)	–	(715)
Disposals	–	–	(146)	–	(146)
At 31 March 2023	290	294	11,133	1,617	13,334
Amortisation					
At 1 April 2022	203	198	5,989	–	6,390
Charged in year	–	38	1,094	–	1,132
Revaluation Adjustment	–	(34)	94	–	60
Disposals	–	–	(146)	–	(146)
At 31 March 2023	203	202	7,031	–	7,436
Net book value					
At 31 March 2023	87	92	4,102	1,617	5,898
At 31 March 2022	97	80	5,580	1,664	7,421
Externally generated	87	92	4,102	1,617	5,898
	87	92	4,102	1,617	5,898

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

At 31 March 2021	34	145	4,036	1,457	5,672
Externally generated	97	80	5,580	1,664	7,421
	97	80	5,580	1,664	7,421

10 Financial instruments

As any net cash requirements of SQA are met by Scottish Government through Grant in Aid, 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. SQA is therefore exposed to little credit, liquidity or market risk.

11 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year:		
Trade receivables	5,451	5,143
Other receivables	22	9
Prepayments and accrued income	19,710	18,143
	25,183	23,295
Amounts falling due after more than one year:		
Prepayments and accrued income	14	837
	<u>14</u>	<u>837</u>

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

Local authorities	57	49
NHS body	1	2
Other central government bodies	347	24
	<u>405</u>	<u>75</u>

Included within trade receivables is a bad debt provision of £431,000 (31 March 2022: £392,000). During the year, £18,000 of bad debt was written off (31 March 2022: £nil). Included within other receivables are loans to staff (mainly travel pass loans) amounting to £3,000 (31 March 2022: £5,000).

12 Cash and cash equivalents

Balance at 1 April 2022	6,184	3,832
Net change in cash and cash equivalent balances	152	2,352
Balance at 31 March 2023	<u>6,336</u>	<u>6,184</u>

The following cash balances were held at 31 March 2023:

Government banking service	1,479	(750)
Commercial banks and cash in hand	4,857	6,934
	<u>6,336</u>	<u>6,184</u>

13 Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year:		
VAT	7	2
Other taxation and social security	1,050	951
Trade payables	109	92
Other payables	3,548	726
Accruals and deferred income	9,613	8,847
	<u>14,327</u>	<u>10,618</u>
Amounts falling due after more than one year:		
Other Payables	23,736	–
Accruals and deferred income	328	715
	<u>24,064</u>	<u>715</u>

Included within other payables less than and greater than one year is an adjustment to incorporate IFRS 16. Specifically, the creation of a liability to recognise future lease payments for our buildings in Optima and Shawfair. Payables less than one year £2,719,000(31 March 2022 :£nil) and greater than one year £23,737,000(31 March 2022 :£nil).

14 Provisions for liabilities and charges

SQA unfunded pensions	367	384
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(i) SQA unfunded pensions

	£'000
Balance at 1 April 2021	408
Provisions not required written back	–
Provisions utilised in the year	(19)
Unwinding of discount	(5)
Balance at 31 March 2022	384
Provisions not required written back	(5)
Provisions utilised in the year	(17)
Unwinding of discount	5
Balance at 31 March 2023	367

The provision for SQA unfunded pensions represents current capital cost of future unfunded pensions payable to SQA, SEB and SCOTVEC pensioners granted early retirement. The value is based on transferring any unfunded pension liability to a third party.

Included within long term liabilities is an adjustment to incorporate IFRS 16. Specifically, the creation of a liability to recognise future lease payments for our buildings in Optima and Shawfair. Payables greater than one year £23,737,000 (31 March 2022 :£nil).

15 Government funding

	2022-23 £'000	2021-22 £'000
Scottish Government accreditation	1,025	1,025
Scottish Government development	403	–
	<hr/> 1,428	<hr/> 1,025
Grant-in-aid	43,225	18,678
Capital funding	2,039	2,500
	<hr/> 46,692	<hr/> 22,203

In addition to amounts detailed above there is Notional Funding received of £2,316,000 (2022: £2,256,000) in relation to property rental for our Glasgow office.

16 Commitments under leases.

Operating leases

The Scottish Government (Scottish Ministers) entered into a 15-year lease in September 2005 with the owners of the Optima Building in Glasgow and has sub-leased part of that accommodation to SQA. This lease was subsequently extended to 26 March 2030 in September 2020. Included within the lease extension are two break options in 27 March 2027 and 27 March 2029 and a rent-free period in year on up to the 26 August 2021. The Scottish Government pays the Optima rent and landlord's management charges for the Optima Building without recourse to SQA. Prior years arrangement shows the notional cost of the Optima rent included in property expenses (note 4) however due to the implementation of IFRS 16 these leases are now treated as assets and the charge is now posted against depreciation (note 8 ii).

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

	31 March 2023 £'000	31 March 2022 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,676	1,676
Later than one year but not later than five years	6,703	6,703
Later than five years	5,027	6,703
	<hr/> 13,406	<hr/> 15,082

The Scottish Government entered into a 15-year lease in October 2011 with the owners of Lowden in Dalkeith. This lease was subsequently extended to 2035 in September 2016. SQA is the tenant of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. Prior years arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 15) however due to the implementation of IFRS 16 these leases are now treated as assets and the charge is now posted against depreciation (note 8 ii).

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

	31 March 2023 £'000	31 March 2022 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,043	1,043
Later than one year but not later than five years	4,172	4,172
Later than five years	7,835	8,878
	13,050	14,093

There are no other operating leases.

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

Finance leases

There are no finance leases in operation.

17 Contingent liabilities

There were no other known contingent liabilities at 31 March 2023 (31 March 2022: £nil).

18 Pension costs

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

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

Both provide benefits based on final pensionable pay. Contributions during year totalled £6,986,000 (31 March 2022: £6,364,000), consisting of £6,943,000 (31 March 2022: £6,316,000) to LGPS and £43,000 (31 March 2022: £48,000) to STSS. Included within other payables (note 13) are outstanding contributions of £800,000 (31 March 2022: £704,000) due to LGPS and £5,000 (31 March 2022: £5,000) due to STSS. In 2023–24 total contributions to LGPS are expected to be £6,907,000.

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

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

(a) The SQA participates in the Scottish Teachers' Pension Scheme. This is an unfunded statutory public service pension scheme with benefits underwritten by UK Government. It is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by scheme actuary. The last four-yearly valuation was undertaken as of 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019, and an anticipated yield of 9.4% from employees' contributions.

(b) The SQA has no liability for other employers' obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on wind-up of the scheme or withdrawal by SQA from it.

(d)

(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where SQA is unable to identify its share of underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from was 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as of 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms were unlawfully discriminatory on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known, and its impact has been fully assessed in relation to any additional costs to the scheme.

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

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

The following information relates to the Strathclyde LGPS.

Amounts recognised in Statement of Comprehensive Net Expenditure are as follows:

	2022–23	2021–22
	£'000	£'000
Current service cost	16,535	17,152
Past service cost	–	–
Interest on obligation	7,024	5,241
Expected return on plan assets	(6,391)	(4,301)
	<u>17,168</u>	<u>18,092</u>

Net expense is recognised in following line items in Statement of Comprehensive Net Expenditure:

Staff costs	16,535	17,152
Interest payable	633	940
	<u>17,168</u>	<u>18,092</u>

Amounts recognised in Statement of Financial Position are as follows:

	2022–23	2021–22
	£'000	£'000
Present value of funded obligations	(235,371)	(252,898)
Fair value of employer assets	235,817	234,211
Net (under) funding in funded plans	446	(18,687)
Present value of unfunded obligations	–	–
Net asset/(liability)	<u>446</u>	<u>(18,687)</u>
Amounts in the Statement of Financial Position:		
Defined benefit asset/(liability)	446	(18,687)
Net asset/(liability)	<u>446</u>	<u>(18,687)</u>

	31 March	31 March
	2023	2022
	£'000	£'000
Movement in present value of defined benefit obligation		
Opening defined benefit obligation	252,898	254,506
Current service cost	16,535	17,152
Past service cost	–	–
Interest cost	7,024	5,241
Actuarial loss from change in financial assumptions	(51,435)	(21,360)
Actuarial loss from change in demographics	(1,681)	(1,545)
Other experience	13,613	483
Contributions by members	2,390	2,171
Benefits paid	(3,973)	(3,750)
Closing defined benefit obligation	<u>235,371</u>	<u>252,898</u>

	31 March 2023 £'000	31 March 2022 £'000
Movement in fair value of plan assets		
Opening fair value of plan assets	234,211	212,830
Contributions by employer	6,908	6,305
Interest income on plan assets	6,391	4,301
Contributions by members	2,390	2,171
Expected return on plan assets	(10,110)	12,354
Other Experience	—	—
Benefits paid	(3,973)	(3,750)
Closing fair value of plan assets	235,817	234,211

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

	31 March 2023				31 March 2022			
	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	46,049	423	46,472	20	51,495	111	51,606	22
Debt securities	—	—	—	—	—	—	—	—
Private equity	—	57,961	57,961	24	—	45,850	45,850	20
Real estate	—	19,443	19,443	8	—	19,752	19,752	8
Investment funds and unit trusts	1,016	106,458	107,474	46	1,299	109,744	111,043	47
Derivatives	—	—	—	—	—	—	—	—
Cash and cash equivalents	3,261	1,206	4,467	2	5,881	79	5,960	3
Total	50,326	185,491	235,817	100	58,675	175,536	234,211	100

Amounts recognised in Statement of changes in taxpayers' equity are as follows:

	2022–23 £'000	2021–22 £'000
Actuarial gain/(loss) arising on the defined benefit obligation	39,503	22,422
Actuarial (loss)/gain arising on the fair value of the plan assets	(10,110)	12,354
Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity	29,393	34,776

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

	2022–23	2021–22
	%	%
Pension increase rate	2.95	3.2
Salary increase rate	3.65	3.9
Discount rate	4.75	2.7

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

	Males	Females
Current pensioners	19.3 years	22.2 years
Future pensioners	20.5 years	24.2 years

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

Change in assumptions at 31 March 2023:	Approximate % increase to employer	Approximate monetary amount (£000)
0.1% decrease in real discount rate	2%	3,765
1 year increase in member life expectancy	4%	6,736
0.1% increase in the salary increase rate	0%	411
0.1% increase in the pension increase rate	2%	3,408

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

The salary increase assumption is 3.65% pa, which is set relative to the retail price index (RPI)/consumer price index (CPI) assumption at the reporting date.

The pension increase assumption is in line with the CPI.

19 Events after the end of the reporting period

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

20 Related-party transactions

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

The Learning Directorate is regarded as a related party. During the year, SQA had various material transactions with the Directorate (note 15). At year-end, there were no balances outstanding (31 March 2022: £nil). In addition, SQA has had material transactions with other Scottish Government Directorates. At the year-end, there were no balances outstanding (2022: £nil).

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish Ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The Joint Council for Qualifications is a related party as SQA Chief Executive, Fiona Robertson, holds the position of Director there. In the period to 31 March 2023, £42,000 (31 March 2022: £83,000) of charges were incurred by SQA to the Joint Council for Qualifications. At the year-end, £nil were outstanding. In addition, £nil of charges were levied by SQA to the SCQF (31 March 2022: £nil). At the year-end, £nil (31 March 2022: £nil) remained outstanding.

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

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000	2023 £'000	2022 £'000
Dumfries and Galloway College SQA Board Member, Anna Davis, carried out consultancy work at the college during 2021-22	–	155	–	–	–	54
Forth Valley College SQA Board Member, Ken Thomson, holds the position of Principal and Chief Executive there	282	331	51	–	–	2
Glasgow Caledonian University SQA Board Member, Wendy Mayne, holds the position of senior lecturer there	6	7	–	–	–	–
Joint Council for Qualifications SQA Executive Team, Fiona Robertson, holds the position of Director there	–	–	42	83	–	–

**Newbattle Abbey
College Trust**

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

– 6 – – – –

**Skills Development
Scotland**

SQA Board Member,
Grahame Smith,
currently holds the
position of Interim Chair
of the Careers Service
Collaborative.

Grahame Smith
previously held the
position of Board
Member for Skills
Development Scotland
and Chair of the
Programme Board of the
Career Review.

41 17 3 6 – –

St John's RC Academy

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

– – 11 – – –

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 (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006

Appendix 1

Outcomes and Deliverables



We provide a credible qualifications system

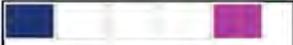
We are flexible in meeting customer needs

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

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

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

Perform

 National Qualification delivery to plan	 Higher National, Vocational & International delivery to plan	 Ensure SQA has an engaged and diverse workforce which meets the needs of the organisation
 Deliver Contracts in line with Service Level Agreements	 Ensure SQA is compliant with all legislative, statutory and regulatory requirements (including qualifications regulators)	 Deliver financial balance in line with available resources
 Build credibility and trust in SQA and begin the journey towards ensuring strong communication, deep engagement and meaningful collaboration are at the heart of the new organisation(s)	 Maintain, develop, and improve our portfolio of qualifications	 Enhance SQA's cyber maturity and resilience to ensure we are well equipped to withstand, defend against, manage, recover quickly, and learn from cyber incidents

Progress

 Deliver the People Strategy	 Implement an operational excellence methodology for SQA
 Implement and embed the first phase of SQA's research and analysis strategy	 Complete the implementation of phase one of the ISO 9001 expansion programme
 Through effective use of our financial resource, implement the duty of Best Value in line with the Scottish Public Financial Manual	 Review and update all policies to ensure they are (i) up to date; (ii) consistently applied

Transition

 Take forward and implement the accepted recommendations from the Review process in accordance with the role and responsibilities agreed with Scottish Government
