



Annual Report and Accounts 2016–17

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Welcome

I am delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2016–17, providing a review of the many successes the organisation has had in this period.

Important factors in this success have been partnership, engagement, and consultation — all of which have helped us deliver our many commitments to users and stakeholders, and to the people and economy of Scotland.

Our commitment to support the Scottish Government's objectives outlined in the National Performance framework underpins our activity and our successes. SQA develops and delivers qualifications and services that support genuine lifelong learning for all. SQA remains committed to ensuring learners pursue opportunities that are designed to reflect the breadth and depth of knowledge and skills that are essential for successful individuals, and that contribute to a successful economy and society as a whole.

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

Mr Graham Houston

Chairman

Scottish Qualifications Authority

A: Performance Report

Overview

Statement from our Chief Executive

This year has been one of both challenge and opportunity for SQA, throughout which the organisation has a range of achievements that are of benefit to Scotland and her people.

SQA Accreditation continues to carry out its responsibilities and activities as an enabling regulator. We provide appropriate specialist support, advice and guidance to our stakeholders. We strive to be an effective regulator operating in accordance with the Scottish Government's principles of better regulation to promote the delivery, development and quality assurance of accredited qualifications in Scotland.

We also understand the benefits of continuous improvement across all aspects of our operations, systems and processes. Over the last year, we have made significant progress, in what are difficult and challenging times, through our development work and project group outputs.

As SQA Accreditation regulates to maintain high standards, so SQA, as Scotland's national awarding body, continues to provide a wide range of vocational qualifications. These qualifications continue to be based on industry-devised standards, ensuring they deliver the skills our industries need. Our SVQs are often the key component of Modern and Foundation Apprenticeships. In many cases SQA's qualifications act as licences to practise; both an employer's guarantee of competence and a learner's passport to regulated employment.

SQA's vocational qualifications are at the heart of our relationship with Scotland's training providers. We continue to work with training providers of all sizes right across Scotland, meeting their specific needs through a combination of our comprehensive portfolio of qualifications and a focus on excellent customer service. We build our level of service by investing in successful relationships.

SQA also works closely with the college sector. As the regional college structure is now more established, so SQA's relationship with colleges moves on from several years of managing change to a greater focus on helping them succeed in the future. Colleges continue to play a major role in Scottish public life. SQA is justly proud of our close and supportive working relationships across this important sector.

As SQA demonstrates success in Scotland, so our qualifications and services continue to be in high demand, in the rest of the UK and internationally. We continue to deliver a wide range of contracts and consultancy projects, generating export earnings for Scotland that reduces SQA's overall reliance on the public purse. SQA's work outwith Scotland is a key element of a successful long-term strategy. Operating in other nations and countries also allows us to bring good practice back to Scotland; it is an integral part of our ongoing work to imagine the future of qualifications, assessment and accreditation.

Alongside our vital work to ensure Scotland has access to the vocational skills and knowledge it requires, SQA continues to devise, deliver and certificate the National Qualifications that allow young people to succeed and progress. SQA, and Scotland, is rightly proud of a National Qualifications system that values allowing young people the opportunity to show what they can achieve at all levels of the Scottish Credit & Qualifications Framework. We provide opportunities for all learners to succeed and move on to positive destinations.

These qualifications are supplemented by a wide range of Awards which allow a wide variety of other activity to be certificated. Certification in areas such as personal development, leadership and volunteering send an important message to the labour market about the qualities and achievements of Scotland's young people; it demonstrates that leaving school or college with an SQA certificate signals both traditional subject knowledge and a preparedness for the world of work.

Our ongoing responsibility to meet stakeholders' requirements to maintain and amend the qualifications that support Curriculum for Excellence has been a major theme this year. We have made significant changes to National Qualifications, as requested by the Scottish Government's Assessment & National Qualifications stakeholder group. This is a major undertaking, as SQA has a responsibility to ensure that qualifications continue to fulfil the requirements of subject breadth and depth.

SQA is a customer-focused organisation. We work to offer customers better services by using technology to deliver efficient and scalable improvements. Our aim is to use digital technology to transform our organisation. This will ensure that SQA continues to deliver what learners will need in the future, meaning Scotland's education and skills system keeps pace with the changing, disrupted world in which our young people will go on to live and work and succeed.

SQA's purpose and activities

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

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

SQA is the statutory awarding body for qualifications in Scotland. Its duties are to develop, validate, quality assure and award a national framework of qualifications for Scotland. In addition, SQA has a statutory duty as the regulator for National Qualifications in Scotland as defined by the Education (Scotland) Act 1996 (as amended by the Scottish Qualifications Authority Act 2002).

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

Qualifications

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

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

To achieve this, SQA qualifications must:

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

There are SQA qualifications for everyone:

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

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

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

Accreditation

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

Ensuring SQA can deliver its objectives

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 appropriate steps to mitigate or minimise the negative impacts of identified risks.

These were the significant risks affecting SQA in 2016–17:

- ◆ budget pressures
- ◆ management of conflicting priorities and implications for staff
- ◆ policy changes providing challenges to successful implementation of assessment changes for NQ.

SQA's Corporate Plan 2017-20

The Corporate Plan 2017–20 sets SQA's strategic direction for the next three years, covering both SQA's accreditation and awarding functions, and is reviewed annually. The plan has built on the approach taken in recent years, ensuring that the organisation's mission statement and strategic goals support the Scottish Government's National Outcomes.

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

SQA's strategic goals for 2017–20, which have been mapped to the Scottish Government's National Outcomes, are:

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

Performance summary

This section provides an 'at-a-glance' summary of SQA's performance over the year. There is more detail in the Performance analysis (next section).

Qualifications and services

The first learners achieved the new Advanced Higher qualifications developed under Curriculum for Excellence. SQA delivered results certificates to 140,055 National Qualifications candidates across Scotland on 9 August.

We provided support for Curriculum for Excellence, including: publishing regular newsletters and update information; delivering 65 Understanding Standards events, and over 700 centre visits, for Advanced Higher; training almost 1100 teachers and lecturers to help deliver quality assurance.

Most of this year's 371 development projects to revise existing vocational qualifications or to put new ones in place were completed on schedule or ahead of forecast. We also published 239 internal assessment materials and 834 specification documents.

All the quality assurance planned for the year was completed, and all the associated reports were published on time.

Leadership and expertise

98% of NQ examination responses were e-marked, providing improved operational performance and increased quality assurance.

We began a programme of revisions to National Courses following a government announcement removing unit assessments from National Qualifications. We had already initiated a fieldwork programme, which showed we needed to simplify documentation for the qualifications.

In vocational qualifications, our score on the regulator's Quality Enhancement Rating system improved from the previous 68 to 36 (lower is better).

A new approach for re-engaging with colleges on systems verification has been developed. A full Systems Verification plan for Scotland's colleges began in 2016–17.

International engagement and co-operation

We have established 13 additional centres, and now certificate qualifications through 100 centres in 19 countries.

Culture and values

86% of respondents to this year's staff survey agreed that they understood how their work contributed to SQA's corporate strategies and goals. The survey also showed an 80% score for employee engagement. Staff turnover (at 8.05%) is significantly below the public sector benchmark (9.4%).

Services to our customers

We have established a single SQA Change Programme to govern all our business projects to ensure we continue to improve the way we deliver our services and the support we provide. It has also overseen a refresh of our technology infrastructure, and means we are better-placed to embrace new opportunities and improved ways of working as technology develops in future.

We published our guidance on digital evidence for HN and VQ units. It is being adapted for other qualification types. We continued to promote the use of on-screen assessments across our qualifications and markets.

In customer surveys, we scored an average of 8.47 out of ten for customer satisfaction.

SQA as a public body

We have continued to work with stakeholders to enhance Scotland's training and education systems. For example, we have worked closely with Skills Development Scotland on supporting Foundation Apprenticeships and the Developing the Young Workforce policy.

We dealt with 99% of Freedom of Information requests within the prescribed timescale.

We received 86 complaints (down from 135 in the previous year): 81 were resolved, and five carried forward to the next year; 26 were upheld or partially upheld, and 55 were not upheld. Two complaints went on to be reported by the Scottish Public Services Ombudsman: one was partially upheld, the other was not upheld.

Our Procurement Department operated a net saving of £2.5m.

Reducing dependency on the public purse

The fixed entry charge for National Qualifications does not cover the cost of delivery.

Following successful tenders, projects were delivered on behalf of other organisations, institutions and government services in the UK and internationally. By doing this, SQA reduces its dependency on the public purse by generating a financial contribution towards its costs.

Accreditation and regulatory activities

SQA Accreditation completed 17 audits and 15 provider monitoring reports during 2016–17 — both figures are up on the previous year.

At the end of the year, SQA Accreditation had a total of 862 accredited qualifications — a reduction of 131 from the previous year. This is largely due to the effective management of awarding bodies with qualifications that have had no candidate activity.

During 2016–17 SQA Accreditation removed the requirement to include the SVQ level in the title. The SVQ title now only includes the SCQF level.

Performance analysis

How SQA measures performance

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

Progress towards SQA's Strategic Goals, which are set out in the Corporate Plan, is monitored and tracked. Quarterly performance reviews are undertaken across the business to review progress and address any issues that may arise. This performance is reviewed by the Audit Committee, and any matters of interest are highlighted to the Board of Management for their consideration.

Additionally, key areas of the business and performance are reviewed at each SQA Board of Management meeting.

SQA uses a range of performance measures which allow these various groups to monitor performance throughout the year. These are a mix of both qualitative and quantitative measures and are aligned to SQA's eight Strategic Goals.

Each strategic goal is measured against a small number — typically four — of key performance indicators, and performance against each indicator is rated using a scale that allows SQA to balance progress against agreed levels of performance.

These roll up into a summary status for each Strategic Goal, allowing a single view of performance and progress to be reviewed for operational, strategic and oversight purposes.

Performance towards SQA's Strategic Goals

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

SQA's comprehensive portfolio of qualifications are undertaken in schools, colleges and training providers and support all sectors in Scotland such as Oil & Gas, Construction, Health and Social Care, and personal and professional development.

During the reporting period, SQA responded to the direction provided by Scottish Government in September 2016 to revise the method of assessment in National Qualifications. A three-year timeline has been agreed for revisions to National 5, Higher and Advanced Higher. We achieved our first major milestone in January 2017 with the publication of the overview of amendments for National 5. The publication of the revised National 5 course specifications followed in April 2017.

This year Scotland saw the first learners achieving the new Advanced Higher qualifications developed under Curriculum for Excellence. SQA delivered results certificates to 140,055 National Qualifications candidates across Scotland on 9 August. The candidates have been rewarded for completing coursework, exams and unit assessments throughout the academic year 2015–16 in a wide range of qualifications and subjects to suit all learners. This included Access, National 1–5, Higher and Advanced Higher. There was also an increase in the uptake of a broader range of Awards, Skills for Work, National Progression Awards and National Certificates.

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

- ◆ National Qualifications
- ◆ Awards
- ◆ Scottish Vocational Qualifications
- ◆ Higher National Qualifications

In the reporting period, we issued 143,282 group awards (for example, Higher National Certificates, Higher National Diplomas and Scottish Vocational qualifications), 9,740 Ofqual qualifications, and 85,724 unit-only certificates.

Our Guide to Scottish Qualifications contains further information on these qualifications and what they could lead to. You can download the guide from our website at www.sqa.org.uk/qualsguide.

Curriculum for Excellence

Given the scale of changes to qualifications, SQA has focused on providing information and support to employers, centres, teachers, learners and parents. SQA continued to issue weekly and monthly e-newsletters to communicate key changes, events, and new resources to support centres. Specific update information has also been provided throughout the year on significant topics as they arose.

Understanding Standards is the programme that was put in place to support the new qualifications, and this continues to receive very positive feedback from teachers and lecturers. SQA has published materials to go alongside the Understanding Standards events for both unit and course assessment. These give examples of candidate evidence for National 1 to Advanced Higher. To help teachers and lecturers in developing their understanding of the standards required for assessment, commentaries also explain why the evidence has, or has not, met the required standards.

From November 2016 to January 2017, SQA delivered:

- ◆ 65 Understanding Standards events in support of the new Advanced Higher. These were attended by over 2,750 delegates.
- ◆ As part of the quality assurance and verification process, 1,093 teachers/lecturers from schools and colleges were trained to help deliver SQA quality assurance and, importantly, to support their colleagues across Scotland by disseminating their learning.

- ◆ SQA's Liaison Team has visited schools, colleges and local authorities on over 700 occasions to support the implementation and delivery of the new qualifications. These events focused on illustrating the standards required for Advanced Higher Course Assessment.
- ◆ Following on from the events, the materials have been published on the Understanding Standards website.
- ◆ The team met head teachers in 30 local authorities in the period January to March 2017 to provide updates on changes to National Qualifications which were announced in September 2016.

Qualifications development

SQA has put in place a range of mechanisms to gather feedback from centres and end-users of the qualifications to inform SQA's programme of work on the development of vocational qualifications. We have gathered intelligence through a range of mechanisms, including:

- ◆ from the network of customer liaison staff, who have engaged regularly with centres and employers
- ◆ through strategic groups representing colleges, training providers, schools and local authorities
- ◆ from employers, through sector skills councils, industry bodies, trade bodies and professional bodies

Revisions to National Occupational Standards have also been used in revising vocational qualifications, as has our experience of the quality assurance of assessments for vocational qualifications.

Development work has been overseen by Qualifications Support Teams for each vocational area. These teams include practitioners from across the education and skills sector, and end-users, including employers, industry/trade bodies, and further and higher education institutions.

SQA has again developed a range of new vocational qualifications resulting from the demands identified by customers and in response to new Scottish Government initiatives, in areas such as Building Services Engineering, Cyber Security, Hospitality Management, Creative Industries and Digital Application Support. The qualifications include National Progression Awards, National Certificates, Skills for Work Courses, SVQs, HNCs, HNDs, PDAs and Customised Awards. SQA also worked closely with Skills Development Scotland and the sector skills councils to develop new Foundation Apprenticeships, as part of the broader 'Developing the Young Workforce' Programme.

In the past year, SQA had 371 development projects to revise existing vocational qualifications or to put in place new vocational qualifications. This is a 96% performance of actual versus forecast activity, with just 17 developments rolling over into financial year 2017–18. The majority of these development projects were completed on schedule or ahead of forecast.

SQA also produces a large amount of assessment and support material to assist centres in delivering high quality, quality assured qualifications. In 2016–17, SQA published 239 internal assessment materials and produced 834 group award, unit and associated specification documents.

Online delivery of assessment is increasingly important to a wide range of SQA centres. The management of content for SQA's online assessment system, SOLAR, is a vital and integrated part of SQA's wider qualification and assessment work. In 2016–17, 15,682 SOLAR questions were processed.

Quality assurance

All quality assurance planned for academic year 2015–16 was completed, and reports highlighting verification key messages were published, on time. These key messages are published to assist teachers and lecturers with future assessment practice.

SQA and centres who deliver SQA qualifications have a shared responsibility for the quality assurance of internally-assessed elements of National Qualifications. SQA works in partnership with local authorities and schools and colleges, to support teachers and lecturers throughout the assessment cycle to ensure assessment standards are met. In 2015–16 there were 2,301 selections for verification. Of these, only 14.9% had outcomes that required further support to ensure centres could present candidates for certification. Following support and intervention, except for one centre, for one subject, the remaining NQ centres met quality assurance standards and were able to proceed to certification as planned.

These external verification activities are risk-based, taking into account centres delivering qualifications for the first time and their previous track record, with a proportion of sampling across other delivering centres.

For quality assurance of Higher National and Vocational Qualifications (HN&VQ), SQA also applies a risk-based approach to external verification which reflects the experience and maturity of centres and focuses on products being delivered for the first time.

Higher National qualifications were verified throughout the academic session that ended in August 2016. A total of 657 verification events for Higher National Units and 390 HN Graded Unit verification events were completed. HN/VQ verification in 2015–16 amounted to 2,830 events. National standards were fully met at 2,525 of these events, but 305 events had outcomes that did not meet national standards.

For the 1,047 verification reports issued, 184 outcomes did not meet national standards — 100 of these were in China. All activities were conducted through the criteria-based approach model.

SQA works with centres to ensure the integrity of the Scottish qualifications system and, where concerns of assessment malpractice arise, it is important that these are handled fairly, consistently and sensitively. SQA has published an updated reference document, *Malpractice: information for centres* (January 2017), explaining our approach, and our expectations of centres when there are concerns of possible assessment malpractice.

The plans for quality assurance of all qualifications were approved by the Qualifications Committee and progress, and compliance with regulatory requirements is monitored and reported to the Audit Committee.

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

Research, evaluate and apply approaches to qualifications development, assessment and quality assurance

SQA is continuing to explore the opportunities afforded by the application of digital technology to support assessment of its qualifications. This includes approaches to the digital capture of candidate assessment responses and evidence.

One result of this approach is that we now have 98% of NQ examination responses going through our e-marking system. This provides improved operational performance and enhanced quality assurance.

SQA Awarding Body Code of Practice

The SQA Awarding Body Code of Practice was published in June 2014. It is underpinned by 13 Governing Principles. Our approach to self-regulation and the Code of Practice was reviewed in 2016–17, and a refreshed approach was approved by Qualifications Committee.

National Qualifications

In September 2016, the Cabinet Secretary announced the removal of mandatory unit assessment in National 5, Higher and Advanced Higher, progressively, from 2017–18. Because of this decision, SQA initiated a programme of revisions to National Courses, which included the development of an assessment strategy for new National Qualifications and a significant body of work across the organisation. Further clarification was also provided in a policy statement issued through the Assessment and National Qualifications group in March 2017.

While the announcements have in many respects shaped our National Qualifications design and assessment activity, SQA had begun to gather information as a result of an evaluation plan that had been approved by the Qualification Committee in 2014. This wide-ranging plan was informed by both externally-commissioned and internal research, which included both thematic reviews of aspects of the qualification design — for example, internal unit assessment — and gaining evidence from centres as to how the qualifications were performing. The evidence from this fieldwork was presented to and reviewed by the Ministerial Group on Assessment and National Qualifications, and formed the basis of the changes that SQA began to implement in session 2016–17. Further fieldwork visits took place in late 2016. SQA will continue to review and evaluate the performance of National Qualifications including approaches to assessment and the maintenance of standards in coming years.

The fieldwork report and the thematic review were published under NQ Research on the SQA website in May 2016. It highlighted a number of points for SQA that were used as part of internal discussions and decisions, which led to the Subject Review Reports published in the same month. These reports recommended actions to reduce workload for candidates and staff around unit assessment.

The fieldwork report also signalled the need to simplify the number of documents relating to a subject qualification. The Ministerial decision in September 2016 to abolish units and unit assessment at N5 to Advanced Higher contributed to SQA's decision to repeat the fieldwork exercise once more in session 2016–17, as well as setting actions for SQA in reviewing qualifications at N5 to Advanced Higher on a three-year programme.

A new fieldwork team was established. This returned to nearly all the same schools as had been visited in the previous year, but this time also seeing S4 pupils as well as S5/6, teachers and senior management teams. The team also visited a number of Additional Support Needs schools, colleges, and two national parent groups, and had 1–1 talks with staff in a few local authorities. A number of themes and issues emerged from the visits, which raised actions for both SQA and other partners. SQA's actions have been incorporated into the programme of revisions to National Courses.

Continually improve SQA performance against the regulator's requirements

SQA, as an awarding body, is approved to develop and deliver regulated qualifications, and works with the qualification regulators across the UK — Ofqual, Qualifications Wales and SQA Accreditation.

SQA's Qualifications Committee oversees SQA awarding body's compliance with the three qualifications regulators, SQA Accreditation, Ofqual and Qualifications Wales. It reviews the organisation's compliance statements and the action plans resulting from any audits or reviews conducted by these regulators. This work with the regulators is used by SQA as one of the ways we continue to enhance our practice as an awarding body.

SQA was not subject to an external audit by SQA Accreditation during 2016–17, but the regulator did carry out a range of Provider Monitoring Visits, where the regulator audits activity at an SQA centre delivering a regulated qualification. SQA Accreditation provides the Quality Enhancement Rating (QER) which, on a rolling programme, indicates the frequency with which we, as an awarding body, will be audited. Results in 2016–17 were encouraging: the current QER score (where lower = better) sits at a score of 36, down from 68 over the previous year.

Ofqual conducts a series of themed audits across a number of awarding bodies, and during 2016 SQA was included in this monitoring action with related activity continuing through to 2017.

Qualifications Wales continues to evolve and embed as it explores its remit and regulatory responsibilities. SQA engages with this activity and has provided information on request.

Evaluate current approaches to qualifications assessment and quality assurance and apply lessons learned

SQA works in partnership with a range of stakeholders and hosts two quality networks with colleges and training providers. The purpose of the networks (Quality Focus Groups) is to explore and agree ways of improving and enhancing quality in the delivery of qualifications.

Verification of the quality systems in place within a centre is a vital component of the quality assurance process, and a new approach has been developed for re-engaging with colleges on systems verification. This strategy was based on extensive consultation with colleges, including a series of development visits in 2016–17. A full systems verification plan for Scotland's colleges began in 2016–17 and will run through into next session.

The HNVQ Reengineering project is part of the SQA Change Programme, which aims to ensure SQA's processes and procedures are robust, flexible and scalable, enabling an efficient response to customer needs in a cost-effective way. The current focus of this project is to reengineer the approaches taken to ensure the integrity of certification of HNVQ qualifications across all markets, from market appraisal to quality assured certification.

Strategic Goal 3: Support the Scottish Government's agenda to maximise the benefits of international engagement and co-operation

SQA continues to support the Scottish Government's international and economic strategies. Building on its worldwide reputation for delivering high-quality qualifications and services, SQA carries out activities across a wide range of countries and regions — many of which the Scottish Government has prioritised for engagement.

In delivering qualifications and services internationally, SQA has three main aims:

- ◆ to promote the development of learners
- ◆ to support capacity building and workforce development
- ◆ to play its part in upholding Scotland's status as a leader in education

The demand for SQA qualifications continues to grow, and SQA has established 13 additional centres and now certificates qualifications through 100 centres in 19 countries. Our strong quality assurance model has added to the high value placed on our qualifications by those delivering them, and by the universities and employers who recruit students with SQA qualifications. This is also shown by the success of our Diploma to Degree programme, where a large number of partnerships between SQA and universities are in place to facilitate degree progression opportunities for successful international diploma students.

Through work obtained by competitive tendering, SQA also continues to support national governments and their agencies in enhancing and improving education, skills and training. The main areas of work include: qualification framework development; setting of skills standards; qualification and assessment development; and institutional capacity-building. As with our awarding activities, delivery of contracts takes place across the world.

SQA continues to host study visits from delegations from around the world. These have provided excellent opportunities to promote the Scottish education, skills and training system, and to promote Scotland as a place to live, study, work and do business. Study visits are often arranged in conjunction with the Scottish Qualification and Credit Framework Partnership and/or the British Council, or may be arranged at the request of national governments and their agencies.

SQA works closely with Scottish Development International and universities in Scotland on international activities, as well as with other organisations such as the British Council and United Kingdom Trade and Investment. SQA also works with, or carries out activities on behalf of, international bodies such as the World Bank and EU funding agencies.

Strategic Goal 4: Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA

A high level of employee engagement is a powerful tool for driving improved performance. Positively encouraging the workforce to perform at its best should be a prime consideration of every leader and manager, and this is at the heart of SQA's HR strategy. The HR strategy focused on four enablers which foster good employee engagement¹ and, ultimately, improve performance. These are: Leadership, Line Management, Employee Voice and Integrity.

Leadership

To align effort to the organisation's needs, SQA takes steps to ensure that staff have a clear understanding of its strategic goals and how their individual effort contributes to achieving these goals. This is reflected in the most recent staff survey, conducted in early 2017, in which 86% of respondents agreed that they understood how their work contributed to SQA's corporate strategies and goals.

Corporate, directorate and business area plans are cascaded by Directors to all staff, and quarterly 'All Staff Briefings' allow the Chief Executive to present progress updates and key strategic messages. At a local level, the Chief Executive maintains a strong presence with staff, who are invited to informal meetings where they are encouraged to speak openly about issues affecting their work.

SQA continues to develop change leadership and agility across the business. The introduction of a best practice change management methodology and toolkit that is fully integrated with the SQA project management approach has been well received across the business to date. This approach provides a framework that supports project and change managers and ensures that SQA staff and stakeholders are engaged with, and committed to, successfully delivering projects and the SQA Change Programme.

Line management

SQA encourages line managers to facilitate and empower staff and drive high standards of performance and delivery. To support line managers' skills development, SQA offers a comprehensive, modular line management programme, with particular attention paid to new managers. This year 30 senior members of staff participated in the programme.

Twice each year, managers carry out Performance Management Reviews (PMRs) to ensure staff have clear objectives, receive regular performance feedback, and have their development needs addressed. In the Staff Survey, 75% of staff believed that their line manager supported them in achieving their objectives, and 90% agreed that their line manager makes themselves available when needed.

¹ As outlined by Engaging for Success (more commonly known as the MacLeod Report):
<http://engageforsuccess.org/engaging-for-success>

Linked to the PMR cycle, Organisational Development staff meet with Directors/Heads of Service to develop an over-arching organisational development strategy that is designed to ensure that SQA has the skills and capabilities it needs to deliver high levels of performance in pursuit of its goals. Examples include one-to-one coaching, mindfulness training, Insights Team Development, and subject-specific technical training. The PMR process is currently under review with a view to making it easier to use, more beneficial to both staff and managers, and a greater aid to performance to SQA.

Employee engagement

The Staff Survey carried out in the fourth quarter 2016–17 showed an 80% score for the composite employee engagement measure. Although this figure is below the ambitious target (83%), it is nonetheless evidence of a highly engaged workforce, and is in line with external benchmarks.

Human resources data can also act as a proxy for staff engagement. Here, the picture for 2016–17 is broadly positive.

Staff turnover for the rolling 12 months to the end of 2016–17 stood at 8.05% of permanent staff — significantly below the public sector benchmark rate of 9.40%.

Absence levels slightly underperformed the public sector benchmark of 3.85%, with a full year absence rate of 4.05%. However, this a variance of just 506 days of absence across the organisation for the whole year. As such, SQA can confidently say it remains in line with benchmark expectations.

Employee voice

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

The internal communications strategy has been designed to improve communications and engagement, with the intention of both informing staff and acting as a feedback mechanism, encouraging promotion of work activities and achievements.

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

Two in-house newsletters, *Business Inform* and *Social Inform*, provide staff with a platform to share and contribute to corporate, business area and individual news.

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

Integrity

SQA has adopted the three values of 'Trusted, Progressive and Enabling', which reflect the desired culture and day-to-day behaviours required of all staff.

SQA has also received high-profile recognition in a number of areas which support the philosophy of organisational integrity. These include:

- ◆ the Investors in Young People (IYYP) Award
- ◆ accreditation as a Scottish Living Wage Employer
- ◆ being awarded the Gold Healthy Working Lives Award for the ninth consecutive year
- ◆ re-accreditation under the Disability Confident Employment Scheme, which supports applications from people with disabilities

A new Dignity and Respect e-learning module was also made available to all staff to raise awareness of the ongoing need for dignity and respect in the workplace. The staff survey recorded an increase in the percentage of SQA staff who believe that SQA would take appropriate action when bullying and harassment is reported.

SQA has embraced the Scottish Government's Fair Work Framework and has started implementing its principles. There are five dimensions of the framework — Respect, Security, Employee Voice, Opportunity, and Fulfilment — and SQA is committed to working continuously to make sure all five dimensions are reflected in our HR/OD policy and practice.

Strategic Goal 5: Deliver high-quality, continually improving, efficient and responsive services to our customers

As both a development and a delivery organisation, it is essential that SQA is aware of the changing needs for our products and services, and that we continue to improve the way those services are provided to our customers. This involves improving the way in which we engage with our centres in all aspects of our work, whether it be providing qualifications themselves, ensuring efficient and effective two-way data transfer, or in providing support and guidance to centres and learners.

Close engagement with partners and stakeholders enables us to understand the direction that SQA can take to maintain quality and improve our service and product delivery.

Customer responsiveness

As part of our ongoing commitment to improving our customer interactions, SQA is focusing on how we can improve the way in which we engage with centres, learners and other customers. We have established a single SQA Change Programme to govern all our business projects, which is overseen by a programme board made up of the SQA Executive Team, to ensure we continue to improve the way in which we deliver our services and the support we provide.

New ways of working

In evidence of our desire to continue to promote digital approaches in the assessment of our qualifications, SQA made a number of commitments in Scottish Government's Digital Learning and Teaching Strategy, published in September 2016. These commitments support the Scottish Government's objective of ensuring 'that digital technology is a central consideration in all areas of curriculum and assessment delivery'.

To support centres who already seek to work in this way, in February 2017 SQA published its 'Digital Evidence for Internally Assessed HN and VQ Units: Principles and Guidance'. This guidance is being adapted for other qualification types over the coming year.

More widely, SQA continued to promote the use of on-screen assessments across the range of its qualifications and markets, and to expand and refine the use of e-marking in support of new National Qualifications.

Improving the way we work

SQA's aim is to become truly customer-centric and more responsive to customer needs. We have begun a major programme of work that will ensure that customers can engage with us, access information, and exchange data in a seamless, simple manner that is tailored to their needs.

In 2016 SQA created a new Head of Service role (Head of Organisational Development and Change Management) in response to the need to develop change leadership and agility across the business.

The SQA Change Programme aims to ensure our processes and procedures are robust, flexible and scalable, enabling us to be more cost-effective and responsive to customer needs.

The programme has overseen a refresh of our technology infrastructure during the past year, helping our staff and customers benefit from more flexible and integrated systems. As well as introducing a new e-mail system, staff intranet and improved centre and appointee portals, this has ensured we are better-placed to embrace new opportunities and improved ways of working as technology develops in future.

Other programme workstreams are underway which aim to introduce:

- ◆ a simple and easily accessed single point of contact for information, documents and engagement
- ◆ continued improvements in assessment methods that enable learners to demonstrate the depth and quality of their learning
- ◆ improvement in our processes and procedures to make working with us easier for our customers

What our customers and stakeholders think

Each year SQA hold a wide range of Subject Network Events that are aimed at helping our centres improve their effectiveness and efficiency. In 2016–17 SQA supported:

- ◆ 234 corporate events with 7,514 delegates attending to support a range of subject areas in the UK and Internationally.
- ◆ The Liaison Team supported over 700 visits or events to centres delivering National Qualifications.

The customer satisfaction level of 95.1%, exceeding the service level agreement target of 95%.

Alongside these events and visits, SQA also measures stakeholders' views on SQA's credibility. In 2016–17 SQA surveyed stakeholders from the following groups:

- ◆ young potential candidates
- ◆ intermediate potential candidates
- ◆ mature potential candidates
- ◆ parents
- ◆ schools
- ◆ colleges
- ◆ training providers
- ◆ employers

Across these groups, more than nine in ten of respondents were aware of SQA and of this group, 79% of them rated SQA's credibility as 'high'.

SQA also surveyed 580 customers (500 from Scotland, 80 from the Rest of the UK and overseas), asking them to score SQA out of ten for satisfaction (where ten is high). In 2016–17 customers gave SQA an average score 8.47.

These surveys are carried out by a third-party research company which is a member of the Market Research Society, conforming to its code of conduct. Although SQA commissions the research, it does not control who participates, except from specifying the broad characteristics of who should be approached. These findings provide solid evidence that SQA's customers and stakeholders have a high regard for SQA and the way it fulfils its function.

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

Role of SQA in training and education environment

SQA has a crucial role to play in ensuring that the skills, training and education systems in Scotland are effective. To do this, the organisation works closely with other organisations in Scotland. In particular, it works in close partnership with both Education Scotland and the Scottish Government in implementing National Qualifications.

SQA also engages with other stakeholders, such as the Association of Directors of Education in Scotland (ADES), colleges, the Convention of Scottish Local Authorities (COSLA), the Scottish Council of Independent Schools (SCIS), the School Leaders Scotland (SLS) and teaching unions to build confidence and trust in the new National Qualifications.

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

Working together with Colleges Scotland to continuously develop the national portfolio of qualifications is a key relationship in ensuring that Scotland's skills and knowledge-based qualifications remain world-class. SQA also works closely with College Development Network (CDN) to support its innovation and professional development in the college sector. We also work with the Scottish Training Federation (STF), and value our relationships with training providers across Scotland; we are proud of our role as the provider of the majority of Scotland's vocational and technical qualifications. This is an important priority area as it unpins key public policy areas such as widening participation, narrowing the attainment gap, and providing the people and businesses of Scotland with the skills they need for the future.

SQA as a corporate parent

SQA has made excellent progress to achieve the commitments set out in its [Corporate Parenting Plan 2015–18](#). On results day, August 2016, SQA held a celebration event to recognise and acknowledge the ambition and achievements of our care-experienced young people. Members of the SQA Board of Management, the Deputy First Minister of Scotland and Education Secretary John Swinney MSP, and the Who Cares? Scotland team joined the celebration.

A number of SQA staff also volunteered in December 2016 to support the Who Cares? Scotland Christmas Campaign to make a memorable Christmas Day for the young people of Scotland who would have otherwise spent Christmas day on their own. In February 2017, we launched to all staff SQA's online corporate parenting training to raise awareness and understanding of the experiences of looked-after children.

SQA's statutory responsibilities

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

The number of requests for personal data is at a steady level. While the number of FOI requests decreased to 146 in 2016–17 (from 175 in 2015–16), there was an increase in the complexity of requests.

SQA received 55 Subject Access Requests in 2016–17, down from 80 the previous year.

All requests for personal information, and 99% of FOI requests, were dealt with within the required timescales.

Complaints

As a leading public body, SQA works hard to provide qualifications and services at a standard that satisfies customers on every occasion. However, it is important that, where complaints do occur, SQA manages them in a fair and efficient way that complies with the Scottish Public Service Ombudsman's (SPSO) complaints-handling procedure.

In 2016–17, SQA received 86 complaints, compared with 135 in the previous year. Of these, 77 were resolved within the 20-day response time stipulated by the SPSO. Of the 86 complaints received, 81 were resolved, and five were carried forward to the next reporting period. Of the 81 complaints resolved, 26 were upheld or partially upheld, and 55 were not upheld.

Where complainants are not satisfied with SQA's handling of their complaint, they can refer the matter to the Scottish Public Services Ombudsman in some circumstances. In 2016–17, the SPSO published two decisions in relation to complaints about SQA awarding body; one of these was not upheld, the other was partially upheld. During the year, SQA also provided responses to one further full investigation, which was not upheld. SQA also provided responses in relation to two further pre-investigation requests where the SPSO decided not to proceed with a full investigation. SQA awaits SPSO's decision in relation to one further investigation where a response has been provided, and continues to work with the SPSO to support their investigations going forward.

Procurement

The goal of the Procurement Department is to provide a professional service to SQA to allow corporate objectives to be met and exceeded. The Procurement Department, through a professional and structured process, ensures that SQA engages suitably qualified and approved suppliers for the delivery of a quality service, delivers best value for money, and encourages innovation whilst following all legislative and policy requirements.

In 2016–17, the Procurement Department operated at a net savings of £2.5M (including the savings achieved by using Scottish Government frameworks). These saving were achieved from competitive bidding activities, cost avoidance and efficiencies.

The Procurement Department also delivered three contracts to supported businesses; this exceeded Scottish Government expectation of one contract per annum to this sector.

SQA currently has two service contracts, for security and catering, both of which pay living wage.

Equalities

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

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

SQA continues to make progress towards integrating equality in the development of its policies and activities. SQA's Equality Mainstreaming Report 2015–17, published in April 2017, provides an update on the progress we have made in the last two years towards ensuring that equality is integral to everything we do. The report also records progress against SQA's Equality Outcomes 2013–17.

During 2016–17, work was carried out to refresh SQA's Equality Outcomes. This involved identifying actions from our Equality Strategy 2013–17 that have been completed or mainstreamed (ie have become 'business as usual' activity), or work that is ongoing. To identify key issues for SQA, we also reviewed a range of internal and external evidence sources, and statistical evidence and feedback through our consultation and involvement activity.

SQA has reduced the number of its equality outcomes for 2017–21 because of the progress that has been made towards mainstreaming equality. These outcomes set out the contributory actions SQA will take to meet the needs of its diverse communities — SQA learners, customers, employees and appointees.

In July 2016, SQA held two events covering the topic of invisible disability, or hidden illnesses. We raised awareness of a number of different conditions and disabilities that are not always immediately apparent, for example: Autism, Bipolar Disorder, Chronic Pain, Crohn's Disease and Depression.

A thematic review of equality and inclusion in qualification design, assessment and quality assurance was carried out and concluded in August 2016. The research and evidence report for this review was presented to SQA's Qualifications Committee in September 2016.

SQA developed and published web guidance to ensure the SQA records of learners who have transitioned from one gender to another can be updated quickly and easily. The guidance explains to SQA's transgender learners the process for updating their personal information either with SQA or their centre.

Substantial progress has been made by SQA Accreditation to mainstream equality into its existing practices. This includes the work it does with approved awarding bodies to review awarding bodies' policies and practices and ensure that these give due regard to equality of opportunity. Several actions are now successfully completed or business-as-usual activity.

SQA Accreditation carried out work to consider plans for the future and revise its equality outcome.

Strategic Goal 7: Continue to pursue a business model that would enable SQA to reduce its dependency on the public purse, and invest in and improve the education and skills system

SQA's 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. Many of SQA's qualifications and awards support key niche sectors for the economy and culture of Scotland, and by their nature have low and very low uptake. As a result, the costs of development and delivery of these qualifications are not recovered by the entry fees charged.

The prices charged for services in Scotland are agreed with Scottish Ministers and have been held constant since 2010. The past year, 2016–17, is the fourth year of an arrangement made by Scottish Government with local authorities whereby SQA charges a fixed amount for the delivery of National Qualifications. The fixed charge, which does not cover the costs of delivery, is based on the volume of candidate entries submitted by local authorities in 2012–13. Actual entry volumes were higher than anticipated in 2016–17 resulting in further additional cost.

Because of the nature of its work, SQA has the potential to generate other income through the provision of awarding services, consultancy work, and commercial contracts in markets outside Scotland. There is increasing demand for SQA services and, following successful tenders, a number of projects were delivered on behalf of other organisations, institutions and government services in the UK and internationally. By taking advantage of these opportunities, SQA can reduce its dependency on the public purse by generating a financial contribution towards its costs that reduces the level of grant required from the Scottish Government.

In addition, SQA continues to focus on efficient delivery by embedding a culture of efficiency across the organisation whilst ensuring that there is no reduction in outputs or quality of service experienced by customers. SQA has processes and procedures in place to identify both time-releasing and cash-releasing savings, although cash-releasing savings are becoming more challenging to identify.

SQA's international activities bring many benefits beyond the financial contribution they generate. These activities support the Scottish Government's international strategy; its plans to engage with specific countries; and the promotion of Scottish education and Scotland worldwide. The reputation of Scotland's education and training system is enhanced by our provision of a range of qualifications and delivery of consultancy projects. In addition, SQA's engagement with international partners, organisations and agencies ensures that SQA continues to enhance its expertise and skills through mutual learning.

Strategic Goal 8: Independently accredit, quality assure and regulate approved awarding bodies and qualifications thereby safeguarding the interests of learners, employers, parents, funding bodies, providers and the Scottish Government

SQA Accreditation continued to ensure that qualifications were available from a variety of awarding bodies to support the needs of the learners of Scotland, and particularly those undertaking Modern Apprenticeships. SQA Accreditation carried out and completed 17 audits and 15 provider monitoring reports (requiring 28 provider monitoring visits in total) during 2016–17. This compares with 10 audits and 13 provider monitoring reports completed during 2015–16 (24 provider monitoring visits).

One new organisation, Qualifications for Industry, was approved as an awarding body in 2016–17, although there were enquiries from 17 organisations seeking information on how to become an approved awarding body.

At the end of 2016–17, SQA Accreditation had a total of 862 accredited qualifications. This is a reduction of 131 from the previous year. This reduction is largely due to the effective management of awarding bodies with qualifications that have had no candidate activity for over two years. The breakdown of accredited qualifications is:

- ◆ Scottish Vocational Qualifications (SVQs) 555
- ◆ Regulatory and Licensing qualifications (R&L) 49
- ◆ Other qualifications (such as competence-based qualifications) 258

During 2016–17, SQA Accreditation removed the requirement to include the SVQ level in an SVQ's title. The SVQ title now only includes the SCQF level.

During 2016–17, two awarding bodies had sanctions applied against them. One awarding body successfully had its sanction lifted, whilst the other is in the process of carrying out the necessary remedial activities so that the sanction might be lifted.

Financial performance

Financial overview

The results for the year to 31 March 2017 are contained in the attached accounts (see section C), which have been prepared in accordance with the 2016–17 Government Financial Reporting Manual.

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

Given the budget pressures facing the organisation, the financial position in 2016–17 had to be closely managed throughout the year in partnership with the Scottish Government. SQA met its target with the operational out-turn position being in line with the original budget. The total deficit for 2016–17 was £0.65m, this resulted from Total net expenditure of £23.9m less depreciation of £0.85m and total grant funding income, excluding capital grants, of £22.4m. The operating deficit includes the reversal of a non-recurring bad debt provision of £1.4m.

Post-employment benefits (pensions) are accounted for using International Accounting Standard 19. Each year, an actuarial calculation is carried out and SQA must make provision on its Statement of Comprehensive Net Expenditure to reflect their share of the movement in overall provision. SQA suffered a revaluation loss on pension liability of £18.141m, with the previous year seeing a gain of £15.616m. Full supporting information and calculations are in note 3 to the accounts.

Income

SQA's income is generated from charging for the delivery of its products and services. Total income of £52.4m was earned in 2016–17, being entry charges £41.9m (2015–16 £41.8m) and other income £10.5m (2015–16 £10.9m).

Expenditure

Operational costs were £75.6m, being staff costs £35.4m (2015–16: £36.2m); other expenditure £39.4m (2015–16: £41.7m); and depreciation £0.8m (2015–16: £1.4m).

The reduction in staff costs is attributable to a decrease in headcount, mainly due to the completion of the successful delivery of the CfE programme, offset by an increase in the costs of wages and salaries from the impact of the pay award, in line with Scottish Government pay policy.

Other expenditure reduced by £2.3m from 2015–16, mainly due to a one-off provision of £1.4m made in 2015–16 being released in 2016–17 as no longer required.

Depreciation charged in year has decreased by £0.6m, mainly due to large assets becoming fully depreciated in previous year, therefore no charge being incurred in the current year.

Property, plant and equipment

Expenditure on capitalised property, plant and equipment during the year totalled £0.207m which was solely used to purchase IT hardware.

Intangible assets

Expenditure on capitalised intangible assets during the year totalled £1.3m. This was used to purchase IT software (£0.323m) and to develop assets under construction (£0.977m).

Auditors

The accounts are audited by Audit Scotland, for the year ended 31 March 2017, 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 Directors report confirm that, so far as they are each aware, there is no relevant audit information of which Audit Scotland is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that Audit Scotland is aware of that information.

Public Services Reform (Scotland) Act 2010

Statements of expenditure for 2016–17 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 98% of this aim in 2016–17.

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

17 August 2017

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:

Chairman

Graham Houston

Chief Executive

Dr Janet Brown

Non-Executive Board Members

Eleanor Craig

Jim Edgar

Seán Hagney

Jane Handley

Dr Wendy Mayne

Hamish McKay

Kenny McKay

Raymond O'Hare

Roger Stewart

Dr Paul Thomson

Susan Walsh

Carole Wilkinson

Executive Management Team

Jean Blair

Maidie Cahill

Stuart Davidson

Linda Ellison

John McMorris

Dr Gill Stewart

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

Conflict of interest procedures

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

Personal data-related incidents

Section 5.3.9 of the Government Financial Reporting Manual (FReM) requires that organisations report on personal data-related incidents. In 2016–17, we had one reported personal data incident. The incident was a potential data breach and it is currently being investigated.

Statement of the Accountable Officer's responsibilities

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

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

- ♦ observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ♦ make judgements and estimates on a reasonable basis
- ♦ state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- ♦ prepare the accounts on a going-concern basis

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

2016–17 Governance statement

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

Scope of responsibility

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

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

Purpose of the system of internal control

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

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

The process within the organisation accords with guidance from Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2017 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 department

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

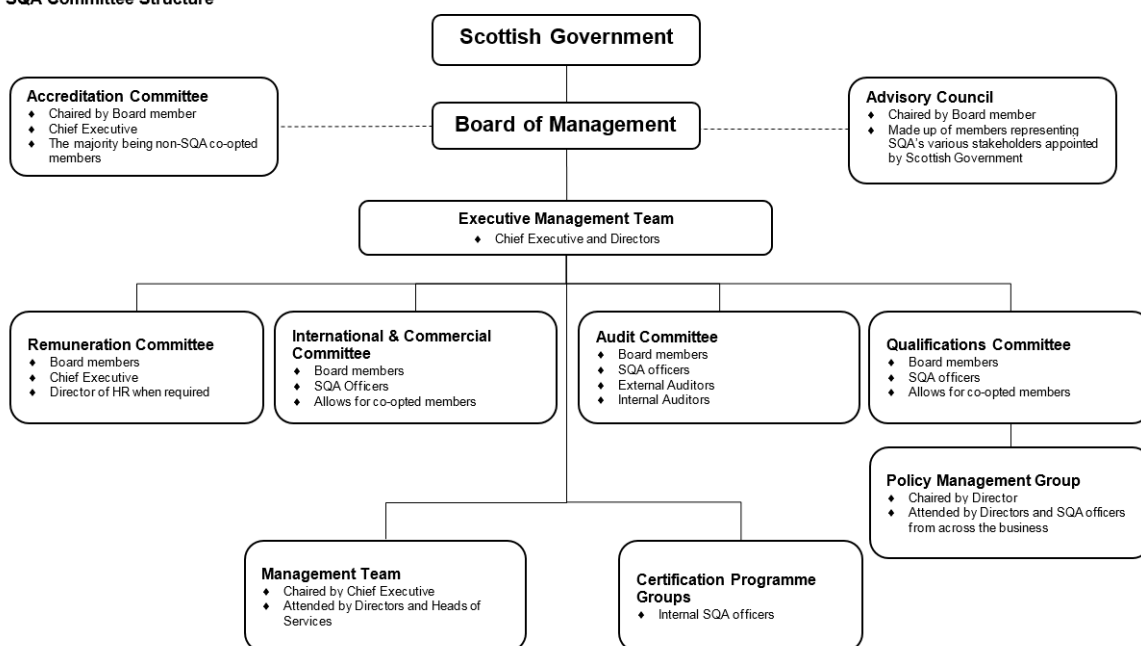
Board of Management

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

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

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

SQA Committee Structure



The Executive Management Team oversees the day-to-day operations of SQA's work. The Advisory Council's primary role is to consider and advise SQA on the needs and views of our stakeholders in relation to our qualifications and awards. This advice helps us to develop, maintain and deliver our portfolio. Remit and membership of SQA's advisory council can be found in SQA's website: <https://www.sqa.org.uk/sqa/1666.2329.html>

The Accreditation Committee (AC) meets in January, March, June and September. AC members come from training and industry; their input helps us ensure that we meet the needs of Scottish industry and those tasked with delivering SQA accredited qualifications. AC discusses strategic issues which impact on our work. This includes Scottish and UK Government policy, the work of other qualifications regulators and educational development overseas. Information regarding the AC membership and the minutes of AC meetings are publicly available in SQA accreditation website: http://accreditation.sqa.org.uk/accreditation/About_Us/Accreditation_Committee/Accreditation_Committee

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

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

The Audit Committee provides the board with an independent and objective review of effectiveness of control systems and the reporting scrutiny of corporate performance and risk management. In particular, the Audit Committee discussed SQA's Corporate Risk Register quarterly. The board discusses risk as part of its strategic focus on an annual basis, sets the risk appetite profile for the organisation, and reviews the Corporate Risk Register at every meeting. It comprises Hamish McKay (convenor), Eleanor Craig, Dr Wendy Mayne, Raymond O'Hare, Roger Stewart and Carole Wilkinson.

The Qualifications Committee is a working group based on SQA's corporate objectives to: make strategic and policy qualifications related decisions on behalf of the board, ensure that qualifications and related activities comply with relevant criteria, design principles and policies, ensure that SQA carries out its self-regulation functions appropriately and oversees the ongoing monitoring of standards. It comprises Dr Paul Thomson (convenor), Jane Handley, Seán Hagney, Dr Wendy Mayne, Rob Wallen and co-opted members Ken Cunningham, Alan Gallacher and Kenneth McKay.

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

BoM	7
Audit	4
International	4
Qualifications	5
Advisory Council	5
Accreditation Committee	4

Each committee provides a report to the Board of Management on their activities at each meeting. Summaries can be found in the minutes published on SQA's website:

<https://www.sqa.org.uk/sqa/138.2326.html>

Assessment of Corporate Governance

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

Internal audit

Following a one-year extension of Scott-Moncrieff's contract to provide internal audit service, and discussions with senior management, a 2017–18 Audit Plan was approved by our Audit Committee in February 2017. 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.

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

The in-house volunteers conduct audits relating to SQA's partial certification to ISO 27001 (Information Security) and ISO 9001 (Quality Management).²

Internal controls

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

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

Planning and performance framework

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

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

Progress against Corporate Plan objectives is subject to review by the Audit Committee through Quarterly Performance Reports. The Audit Committee reviews progress and reports any matters of interest to the Board of Management for their consideration.

² SQA has partial certification to ISO 27001 in the areas of Contract Services and ADD: NQ Assessment; and partial certification to ISO 9001 in the areas of Contract Services and Accreditation

Programme management

SQA continues to review projects based on the overall business priorities. This is achieved by having a single approval process and governance framework. Resource and budget management are subsequently allocated based on this approach. This ensures that resources are focused on the correct business projects. The governance for the programme of projects rests with the Executive Management Team. This is also reported to Audit Committee and Board as part of the Quarterly Reporting Pack.

Risk management framework

All bodies to which the Scottish Public Finance Manual (SPFM) is applicable must operate a risk management strategy in accordance with guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. SQA has a Board-approved risk management strategy and framework, which are subject to continued review by the Board, Audit Committee and our internal auditors. The framework is based on the Office of Government Commerce's Management of Risk (MoR) approach, which is regarded as best practice for the UK public sector.

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

In the first quarter of each year, SQA's Audit Committee undertakes a Strategic Risk Workshop to consider both existing and new risks that the organisation could face in the future. Any additional factors or risks are then incorporated into the Corporate Risk Register. During 2016–17 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure that we develop a sustainable funding model, and the criticality of SQA's role in working with partners to ensure successful delivery of Curriculum for Excellence.

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

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

Compliance with policies, procedures, laws and regulations

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

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

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

Safeguards against losses

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

Controls are in place to ensure that financial transactions are authorised in line with the Scheme of Delegation. Duties for Finance staff are segregated, where possible, to ensure effective financial controls. Where segregation is not possible due to the size of the finance team, further controls are put in place to provide additional scrutiny.

An anti-fraud policy and fraud response plan are in place, ensuring that all SQA employees understand their responsibilities in this area, and that prompt action is taken in the event that fraudulent activity is suspected. During 2016–17 there was no reported incidence of fraud.

Integrity and reliability of information and data

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. SQA has a reporting structure for information security incidents. During 2016–17, we had one reported personal data incident. The incident was a potential data breach and it is currently being investigated.

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

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

Efficiency, effectiveness and economy

SQA is committed to ensuring that arrangements are in place that will lead to an economical, efficient and effective use of the organisation's resources. The efficiency agenda forms part of SQA's annual planning and budgeting process, and efficiency savings that are measurable and sustainable are identified, budgeted and monitored throughout the financial year. By continuing to embed a culture of efficiency, continuous improvement and best value across the organisation, SQA has planned to make savings that continue to support the

Scottish Government's efficiency agenda in this financial year. No reductions in outputs or quality of service are expected as a result of this.

Review of effectiveness

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

- ◆ 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. Specifically, during 2016–17, I have considered the reviews Budgeting and Budgetary Control, CBS Implementation, Fixed Assets, Information Governance, External Partnership Working, Business Continuity Planning (Information Security), Estate and Asset Management, Management of Organisational Change, IT Strategy, IT Security, Review of Governance Applied to CfE, and Governance of Qualification Material, in addition to follow-up reviews to assess the extent to which management has implemented agreed audit actions.
- ◆ Comments made by the external auditors in their management letters and other reports.

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

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

17 August 2017

Remuneration and staff report

SQA's staff

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

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

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

Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, 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 Scottish Teachers' Superannuation Scheme (see below). For 2016–17, employer's contributions of £4,452,598 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay; and 17.2% for SPPA pensionable pay.

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

Strathclyde Pension Fund contribution rates 2016–17

Pay tranche	Contribution rate paid on that tranche
Up to and including £20,500	5.50%
Above £20,500 and up to £25,000	7.25%
Above £25,000 and up to £34,400	8.50%
Above £34,400 and up to £45,800	9.50%
Above £45,800	12.00%

Scottish Teachers Superannuation Scheme contribution rates 2016–17

Full-time equivalent pensionable pay	Contribution rate
--------------------------------------	-------------------

Up to and including £25,999	7.2%
£26,000 - £34,999	8.7%
£35,000 - £41,499	9.7%
£41,500 - £54,999	10.4%
£55,000 - £74,999	11.5%
£75,000 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 from a range of backgrounds from the public and private sectors. Board members are paid a monthly fee on the basis of their duties, which are set and reviewed annually by the Scottish Government (effective 1 April). The Chairman's level of remuneration is set and reviewed annually by the Scottish Government (effective 1 April).

Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The Committee meets a minimum of once a year. The members of the Committee during 2016–17 were:

- ♦ Ms Carole Wilkinson (SQA Board Member and Convenor of the Remuneration Committee)
- ♦ Mr Graham Houston (SQA Chairman and Member of the Remuneration Committee)
- ♦ Mrs Susan Walsh (SQA Board Member and Member of the Remuneration Committee — tenure to the Board ended on 31 August 2016 along with membership on the Remuneration Committee)
- ♦ Mr Roger Stewart (SQA Board Member and Member of the Remuneration Committee — appointed as a member on the Remuneration Committee on 1 September 2016)
- ♦ Dr Janet Brown (SQA Chief Executive and Officer of the Remuneration Committee)
- ♦ Ms Maidie Cahill (SQA Director 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.

	2016-17 Salaries and other payments	Benefits in kind	Pension Accrued in year	Total	2015-16 Salaries and other payments	Benefits in kind	Pension Accrued in year Restated	Total
	£'000	£	£	£'000	£'000	£'000	£	£'000
Chairman								
Graham Houston	10-15	1,500 ¹	-	15-20	10-15	-	-	10-15
Chief Executive								
Dr Janet Brown	125-130	-	47,000	170-175	125-130	-	45,000	170-175
Non-Executive Board Members								
Eleanor Craig****	0-5	500 ¹	-	0-5	-	-	-	-
Jim Edgar*	0-5	200 ¹	-	0-5	0-5	200 ¹	-	0-5
Sean Hagney***	0-5	300 ¹	-	0-5	-	-	-	-
Jane Handley****	0-5	100 ¹	-	0-5	-	-	-	-
Wendy Mayne****	0-5	100 ¹	-	0-5	-	-	-	-
Hamish McKay***	0-5	100 ¹	-	0-5	-	-	-	-
Kenny McKay**	0-5	200 ¹	-	0-5	0-5	200 ¹	-	0-5
Raymond O'Hare	0-5	200 ¹	-	0-5	0-5	300 ¹	-	0-5
Roger Stewart	0-5	600 ¹	-	5-10	0-5	800 ¹	-	0-5
Dr Paul Thomson	0-5	300 ¹	-	5-10	0-5	400 ¹	-	0-5
Susan Walsh*	0-5	300 ¹	-	0-5	0-5	300 ¹	-	0-5
Carole Wilkinson	0-5	200 ¹	-	0-5	0-5	300 ¹	-	0-5
Directors								
Jean Blair	85-90	-	45,000	125-130	80-85	-	128,000	210-215
Maidie Cahill	85-90	-	34,000	120-125	85-90	-	43,000	130-135
Stuart Davidson	85-90	-	29,000	115-120	85-90	-	27,000	110-115
Linda Ellison	65-70	-	-	65-70	65-70	-	-	65-70
John McMorris	90-95	-	36,000	125-130	85-90	-	34,000	120-125
Dr Gill Stewart	90-95	-	36,000	130-135	90-95	-	35,000	125-130
Band of Highest Paid Director's Total Remuneration	125-130				125-130			
Median Total Remuneration	28,002				27,101			
Ratio Staff Remuneration	4.6				4.7			
16,150-125-130 Range								

Median total remuneration is the remuneration of the employee that falls in the middle of SQA pay bands (excluding the highest paid employee). This is expressed as a ratio in comparison to the highest paid Director. The total emolument of all directors, non-executive directors and the chair were £809,000 (2016: £788,000)

* Term of appointment ended on 30.08.2016
** Kenny McKay resigned from his post on 16.08.2016
*** Commenced appointment on 01.08.2016
**** Commenced appointment on 15.08.2016

There were no bonuses paid in 2016–17.

Benefits in kind are:

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

Prior year values restated to be in accordance with FReM.

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

	Real increase in pension	Real increase in Lump Sum	Total accrued pension at 31 March 2017	Total accrued lump sum at 31 March 2017	Cash equivalent transfer value at 31 March 2016	Cash equivalent transfer value at 31 March 2017	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Dr Janet Brown	2.5-5	0-2.5	35-40	55-60	689	746	57
Directors							
Jean Blair	2.5-5	0-2.5	30-35	50-55	428	491	63
Maidie Cahill	0-2.5	0-2.5	25-30	45-50	524	585	62
Stuart Davidson	0-2.5	0-2.5	5-10	-	45	73	28
John McMorris	0-2.5	0-2.5	15-20	5-10	143	176	33
Dr Gill Stewart	0-2.5	0-2.5	35-40	70-75	619	698	79
	Real increase in pension	Real increase in Lump Sum	Total accrued pension at 31 March 2016	Total accrued lump sum at 31 March 2016	Cash equivalent transfer value at 31 March 2015	Cash equivalent transfer value at 31 March 2016	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Dr Janet Brown	2.5-5	0-2.5	30-35	55-60	618	689	71
Directors							
Jean Blair	5-7.5	7.5-10	25-30	50-55	328	428	100
Maidie Cahill	2.5-5	0-2.5	25-30	45-50	463	524	61
Stuart Davidson	0-2.5	0-2.5	0-5	-	21	45	24
John McMorris	0-2.5	0-2.5	10-15	5-10	110	143	23
Dr Gill Stewart	0-2.5	0-2.5	35-40	70-75	590	619	30

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

Staff report

Number of senior staff (or equivalent) by band

Grade	Number of staff
Chief Executive	1
Director	6
Deputy Director	1
Head of Service	32
Grade 8	186

Staff costs comprise:

	Permanently employed staff £'000	Others £'000	2016-17 Total £'000	2015-16 Total £'000
Wages and salaries	25,099	2,018	27,117	27,748
Social security costs	2,383	-	2,383	1,753
Other pension costs	5,961	-	5,961	6,767
Sub-total	33,443	2,018	35,461	36,268
Less recoveries in respect of outward secondments	(19)	-	(19)	(30)
Total net costs	33,424	2,018	35,442	36,238

Average number of persons employed

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

	Permanent Staff	Others	2016-17 Total	2015-16 Total
Awarding and related activities	702	148	850	882
Accreditation	21	1	22	22
Scottish Survey of Literacy and Numeracy	4	2	6	10
Total	727	151	878	914

Staff composition

Grade	Male	Female
Chief Executive	-	1
Director	2	4
Deputy Director	1	-
Head of Service	19	13
Grade 8	79	107
Other	228	432

Sickness absence data

In 2016–17, sickness absence percentage was 4.05% — 10,224 days were lost due to sickness absence. In addition, 52% of absence was short term and 48% long term.

Staff policies applied

SQA is a recognised Disability Confident employer. We received recognition in September 2016. The Disability Confident Employment Scheme replaced the Two Ticks 'Positive about Disabled People' initiative. SQA initially received Two Ticks Accreditation in July 2013. 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 employees to manage their disabilities or health conditions
- ♦ ensure there are no barriers to the development and progression of disabled staff
- ♦ ensure managers are aware of how they can support staff who are sick or absent from work
- ♦ value and listen to feedback from disabled staff

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

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

SQA offers an occupational health service which provides staff with medical advice to support them in resolving any medical issues which are impacting on their work and career. This service is provided by an independent organisation and can be accessed through staff self-referral on a confidential basis or by an HR referral if an individual is absent from work on a long-term or intermittent short-term basis. Occupational health will identify any assistance or modifications which may be necessary to help an employee to either return to work or continue to work effectively.

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

SQA also 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.

Exit packages

There were no exit packages during 2016–17.

Parliamentary and Accountability report

Regularity of expenditure

There were no losses and special payments incurred by SQA in the year 2016–17.

Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £52.4m in 2016–17 (2015–16 £52.7).

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

Income	2016–17	2015–16
	£'000	£'000
Entry charges*	41,878	41,838
Other Income**	10,500	10,851
Total Fees	52,378	52,689

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

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

Remote Contingent liabilities

There were no contingent liabilities other than the ones disclosed in note 18 at 31 March 2017 which require disclosure under IAS 37 of the Scottish Finance Manual.

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Scottish Qualifications Authority for the year ended 31 March 2017 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 the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:

- ◆ give a true and fair view in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

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

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

Matters on which I am required to report by exception

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

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements and the auditable 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.

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

C: Accounts 2016–17

Statement of comprehensive net expenditure

for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000 Restated
Expenditure			
Staff costs		35,442	36,238
Depreciation and amortisation charges	8(ii)	842	1,364
Other expenditures	4	39,348	41,656
		<hr/> 75,632	<hr/> 79,258
Income			
Entry charges	5	41,878	41,838
Other income	6	10,500	10,851
		<hr/> 52,378	<hr/> 52,689
Net expenditure		(23,254)	(26,569)
Interest payable	7	(610)	(961)
Net expenditure after interest		<hr/> (23,864)	<hr/> (27,530)
Other comprehensive net expenditure :			
Actuarial gain/(loss) on defined benefit pension scheme		(18,141)	15,616
Total Comprehensive Net Expenditure for the year		<hr/> (42,005)	<hr/> (11,914)

The notes on pages 52 to 76 form part of these accounts.

Prior year values restated to be in accordance with FReM.

Statement of financial position

as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000 Restated
Non-current assets			
Property, plant and equipment	8(i)	2,729	2,996
Intangible assets	9	2,565	1,771
Financial assets	11	245	368
Total non-current assets		5,539	5,135
Current assets			
Financial assets	11	126	-
Trade and other receivables	12	24,820	23,653
Cash and cash equivalents	13	2,511	2,515
Total current assets		27,457	26,168
Total assets		32,996	31,303
Current liabilities			
Trade and other payables	14	(9,796)	(10,699)
Total current liabilities		(9,796)	(10,699)
Non-current assets plus net current assets		23,200	20,604
Non-current liabilities			
Provisions for liabilities and charges	15	(430)	(432)
Defined benefit liability	3	(36,336)	(16,114)
Total non-current liabilities		(36,766)	(16,546)
Assets less liabilities		(13,566)	4,058
Taxpayers' equity			
Revaluation reserves		72	67
General reserve		(13,638)	3,991
Total taxpayers' equity		(13,566)	4,058

The accounts were approved by the Board of Management on 17 August 2017 and were signed on its behalf by:

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

The notes on pages 52 to 76 form part of these accounts.

Prior year values restated to be in accordance with FReM.

Statement of cash flows

for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000 Restated
Cash flows from operating activities			
Net expenditure after interest		(23,864)	(27,530)
Adjustments for non-cash items			
Depreciation and amortisation	8(ii)	842	1,364
Loss on disposal of property, plant and equipment		138	121
Notional Optima rent		1,708	1,708
Movements in working capital			
Decrease/(Increase) in trade and other receivables		(1,167)	192
Decrease in trade and other payables		(903)	369
Movements in provisions and long-term liabilities			
(Decrease)/Increase of provisions		16	(394)
Decrease in defined benefit liability cost		2,081	3,399
Net cash outflow from operating activities		<u>(21,149)</u>	<u>(20,771)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(207)	(12)
Purchase of intangible assets		(1,300)	(1,288)
Net cash outflow from investing activities		<u>(1,507)</u>	<u>(1,300)</u>
Cash flows from financing activities			
Additional funding from Scottish Government	16	13,697	7,405
Government funding	16	6,955	13,315
Scottish Government capital funding	16	2,000	1,000
Other capital funding		-	10
Net financing		<u>22,652</u>	<u>21,730</u>
Net (decrease)/increase in cash and cash equivalents in the period		(4)	(341)
Cash and cash equivalents at the beginning of the period		2,515	2,856
Cash and cash equivalents at the end of the period		<u>2,511</u>	<u>2,515</u>

The notes on pages 52 to 76 form part of these accounts.

Prior year values restated to be in accordance with FReM.

Statement of changes in taxpayers' equity

for the year ended 31 March 2017

	Note	Revaluation Reserves £'000	General Reserve £'000	Total Reserves £'000
Balance at 31 March 2015		72	(7,549)	(7,477)
Changes in taxpayers' equity for 2015-16			Restated	Restated
Net (loss) on revaluation of investments	11(i)	(5)	-	(5)
Actuarial gain	3	-	15,616	15,616
Unfunded benefits paid		-	16	16
Other Capital funding			10	10
Net expenditure after interest		-	(27,530)	(27,530)
Total recognised income and expense for 2015-16		(5)	(11,888)	(11,893)
Scottish Government funding	16	-	23,428	23,428
Balance at 31 March 2016		67	3,991	4,058
Changes in taxpayers' equity for 2016-17				
Net gain on revaluation of investments	11(i)	5	-	5
Actuarial loss	3	-	(18,141)	(18,141)
Unfunded benefits paid		-	16	16
Other Capital funding		-	-	-
Net expenditure after interest		-	(23,864)	(23,864)
Total recognised income and expense for 2016-17		5	(41,989)	(41,984)
Scottish Government funding	16	-	24,360	24,360
Balance at 31 March 2017		72	(13,638)	(13,566)

The notes on pages 52 to 76 form part of these accounts.

Prior year values restated to be in accordance with FReM.

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.

The accounts have been prepared in accordance with the 2016–17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies set out in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2016–17 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Going concern

The Board of SQA has no reason to believe that the department's future sponsorship and future Ministerial approval will not be forthcoming or will only provide a reduced support to SQA. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The accounts have been prepared incorporating the requirements of the accounting standard IAS 19 and include an actuarial valuation of the pension scheme liability as explained in Note 3 to the accounts.

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

1.3 Property, plant and equipment

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

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

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

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

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

The threshold for capitalising assets is £3,000.

1.4 Depreciation

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

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

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

1.5 Intangible assets

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

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

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

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

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

1.6 Investments

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

1.7 Income recognition

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

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

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

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

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

1.8 Foreign exchange

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

1.9 Leases

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

There are no assets held under finance leases.

1.10 Financial instruments

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

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

1.11 Grants receivable

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

1.12 Provisions

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

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

1.13 Taxation

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

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

1.14 VAT

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

1.15 Pensions

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

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. Hyman Robertson, the actuary to the pension scheme who have collated the information from the Local Government Pension Scheme (LGPS) funds in which SQA participates, have 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 2014 and the next formal valuation is due at 31 March 2017. In preparing the projected pension expense for the year to 31 March 2017, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers.

1.16 Changes in estimation techniques

There have been no material changes in estimation techniques.

1.17 Impending application of newly issued accounting standards not yet effective

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

IFRS 15 Revenue from Contracts with Customers — specifies how and when revenue is recognised, using a principles based five-step model. This will be effective in 2017 if adopted by the European Union and may have an impact on the timing of recognition of SQA's revenue.

IFRS 9 Financial Instruments — simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective in 2018/19, if adopted by the European Union.

IAS 7 Statement of Cash Flows — Amendments have been published for IAS 7 requiring additional disclosures on the cash flow statements. This amendment is effective for all periods beginning on or after January 2017.

The Directors do not expect that the adoption of the above standards will have a material impact on the financial statements of SQA in future periods.

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

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

2 Analysis of net expenditure by segment

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

Awarding and related activities

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

Accreditation activities

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

Scottish Survey of Literacy and Numeracy

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

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

	Awarding and related activities £'000	Accreditation £'000	SSLN £'000	Total £'000
2016-17				
Staff costs	34,165	927	350	35,442
Depreciation	842	-	-	842
Other expenditures	39,061	97	190	39,348
Total expenditure	74,068	1,024	540	75,632
Entry charges	41,878	-	-	41,878
Other income	10,500	-	-	10,500
Other capital funding	-	-	-	-
Scottish Government funding	22,796	1,024	540	24,360
	75,174	1,024	540	76,738
Funding credited to reserves	(22,796)	(1,024)	(540)	(24,360)
Total income	52,378	-	-	52,378
Net expenditure	(21,690)	(1,024)	(540)	(23,254)
2015-16	Restated			Restated
Staff costs	34,832	930	476	36,238
Depreciation	1,364	-	-	1,364
Other expenditures	41,363	100	193	41,656
Total expenditure	77,559	1,030	669	79,258
Entry charges	41,838	-	-	41,838
Other Income	10,851	-	-	10,851
Other capital funding	10	-	-	10
Scottish Government funding	21,721	1,025	682	23,428
	74,420	1,025	682	76,127
Funding credited to reserves	(21,731)	(1,025)	(682)	(23,438)
Total income	52,689	-	-	52,689
Net expenditure	(24,870)	(1,030)	(669)	(26,569)

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

Prior year values restated to be in accordance with FReM.

3 Pension costs

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

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

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £4,452,000 (2016: £4,209,000), consisting of £4,361,000 (2016: £4,121,000) to the LGPS Scheme and £92,000 (2016: £88,000) to the STSS Scheme. Included within other payables (note 15) are outstanding contributions of £504,000 (2016: £471,000) due to the LGPS Scheme and £nil (2016: £nil) due to the STSS Scheme at 31 March 2017. In 2017–18 total contributions to LGPS are expected to be £4,345,000

Actuarial valuations for both schemes are prepared, with the last LGPS valuation to 2014 and the last STSS valuation being to 31 March 2012. Details of these valuations can be obtained from published reports.

The STSS is an unfunded multi-employer defined benefit scheme. Accounting treatment under International Accounting Standard 19 (IAS 19) allows SQA to account for the pension plan as a defined contribution scheme. The last audited full actuarial and funding valuation was carried out at 31 March 2009. The results of this valuation were rolled forward to give an overall scheme liability of £24.0 billion at 31 March 2013. SQA is unable to identify separately its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue. SQA has no liability for other employers' obligations to the multi-employer scheme.

The SQA is notified by both LGPS and STSS of the employer's contribution rates for each scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 of 19.3% of pay until 31 March 2017. The STSS has set rates at 17.2% for 2016–17.

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

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

	2016-17 £'000	2015-16 £'000
Current service cost	5,853	6,688
Interest on obligation	4,827	4,626
Expected return on plan assets	(4,238)	(3,681)
	<u>6,442</u>	<u>7,633</u>

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

Staff costs	5,853	6,688
Interest payable	589	945
	<u>6,442</u>	<u>7,633</u>

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

	2016-17 £'000	2015-16 £'000
Present value of funded obligations	(186,806)	(135,540)
Fair value of employer assets	150,766	119,697
Net (under) funding in funded plans	<u>(36,040)</u>	<u>(15,843)</u>
Present value of unfunded obligations	(296)	(271)
Net (liability)	<u>(36,336)</u>	<u>(16,114)</u>
Amounts in the statement of financial position:		
Defined benefit liability	(36,336)	(16,114)
Net (liability)	<u>(36,336)</u>	<u>(16,114)</u>

	31 March 2017 £'000	31 March 2016 £'000
Movement in present value of defined benefit obligation		
Opening defined benefit obligation	135,811	141,697
Current service cost	5,853	6,688
Interest cost	4,827	4,626
Actuarial loss from change in demographic assumptions	-	-
Actuarial loss from change in financial assumptions	42,009	(15,100)
Other experience	14	(1,205)
Contributions by members	1,464	1,417
Benefits paid	<u>(2,876)</u>	<u>(2,312)</u>
Closing defined benefit obligation	<u>187,102</u>	<u>135,811</u>

	31 March 2017 £'000	31 March 2016 £'000
Movement in fair value of plan assets		
Opening fair value of plan assets	119,697	113,366
Expected return on plan assets	23,882	(689)
Interest income on plan assets	4,238	3,681
Contributions by employer	4,345	4,218
Contributions by members	1,464	1,417
Contributions in respect of unfunded benefits	16	16
Benefits paid	(2,876)	(2,312)
Closing fair value of plan assets	150,766	119,697

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

	31 March 2017				31 March 2016			
	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	55,335	29	55,364	37	43,548	94	43,642	37
Debt Securities	-	-	-	-	-	-	-	-
Private Equity	-	12,433	12,433	8	-	11,643	11,643	10
Real Estate	-	18,188	18,188	12	-	12,859	12,859	11
Investment funds and unit trusts	1,751	57,343	59,094	39	1,082	46,317	47,399	39
Derivatives	(13)	20	7	-	29	-	29	-
Cash and cash equivalents	5,429	251	5,680	4	3,997	128	4,125	3
Total	62,502	88,264	150,766	100	48,656	71,041	119,697	100

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

	2016-17 £'000	2015-16 £'000
Actuarial gain/(loss) arising on the defined benefit obligation	(42,023)	16,305
Actuarial (loss)/ gain arising on the fair value of the plan assets	23,882	(689)
Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity	(18,141)	15,616

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

	2016-17	2015-16
	%	%
Pension Increase Rate	2.4	2.2
Salary Increase Rate	4.4	4.2
Discount Rate	2.6	3.5

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

	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

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

Change in assumptions at 31 March 2017:	Approximate % Increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	23,261
0.5% increase in the Salary Increase Rate	5%	8,444
0.5% increase in the Pension Increase Rate	8%	14,075

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

The salary increase assumption is 1% p.a. until 31 March 2017, reverting to RPI plus 1.0% p.a. thereafter, plus an allowance for promotional increases. This takes into account the Government's public sector pay restraints (originally announced in June 2010 and extended as per the November 2011 announcement).

The pension increase assumption is in line with the Consumer Price Index (CPI). The CPI assumption is calculated as RPI less 1.0% p.a.

4 Other expenditures

	£'000	2016-17 £'000	2015-16 £'000
			Restated
Appointee fees		13,687	13,279
IT costs		5,338	4,057
Property expenses		5,320	5,183
Business development specialists' fees and expenses		3,820	3,761
Appointee expenses and related costs		2,502	2,690
Staff travel	1,020		1,061
Staff subsistence	527		458
Miscellaneous staff costs	295		241
Staff training	274		301
Catering for internal and examination procedures meetings	45		53
Staff related costs		2,161	2,114
PR, marketing and publications		1,756	1,878
Appointee release compensation		1,754	1,840
Postage and telephone		1,681	1,637
Assessment stationery and certificates		1,372	2,368
Equipment and supplies		598	606
Question paper production and printing		301	463
Board and committee expenses		14	12
Miscellaneous		(956)	1,768
		<u>39,348</u>	<u>41,656</u>

Included within Property Expenses is a notional charge of £1,708,000 (2016: £1,708,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £45,580 (2016: £44,589) relating to external audit fees.

Included within Miscellaneous is a credit of £1,400,000 in being the reversal of bad debt provision made in 2015–16 in relation to an international debt paid in 2016–17.

5 Entry charges

	2016-17 £'000	2015-16 £'000
National Qualifications:		
National Courses and Units	31,909	32,291
Post-results Services	333	291
	<hr/>	<hr/>
	32,242	32,582
Higher National Qualifications	5,916	5,748
Scottish Vocational Qualifications	3,720	3,508
	<hr/>	<hr/>
	41,878	41,838

6 Other income

Commercial testing services	6,297	5,487
Consultancy, secondments and research	3,220	4,264
Customised award charges	354	347
Replacement certificate charges	247	245
Miscellaneous income	180	342
Royalty income	156	125
Other interest income	15	14
Sale of publications	13	13
Commercial events	12	7
Income from investments for unfunded pensions	6	7
	<hr/>	<hr/>
	10,500	10,851

7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(21)	(16)
Pension provision cost (note 3)	(589)	(945)
	<hr/>	<hr/>
	(610)	(961)

8 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
Cost or valuation							
At 1 April 2016	5,810	3,715	94	505	37	-	10,161
Additions	-	207	-	-	-	-	207
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 March 2017	5,810	3,922	94	505	37	-	10,368
Depreciation							
At 1 April 2016	2,892	3,673	73	490	37	-	7,165
Charged in year	388	70	8	8	-	-	474
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 March 2017	3,280	3,743	81	498	37	-	7,639
Net book value	2,530	179	13	7	-	-	2,729
At 31 March 2017							
At 31 March 2016	2,918	42	21	15	-	-	2,996
Asset financing:							
Owned	2,530	179	13	7	-	-	2,729
Finance lease	-	-	-	-	-	-	-
Net book value at							
31 March 2017	2,530	179	13	7	-	-	2,729
Capital Additions							
Financing:							
Government grant	-	207	-	-	-	-	207
Core budget	-	-	-	-	-	-	-
Other capital	-	-	-	-	-	-	-
funding							
	-	207	-	-	-	-	207

	Leasehold building improvements	Information technology	Motor vehicles	Plant & machinery	Furniture & fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						Restated	
At 1 April 2015	5,810	3,715	82	505	37	-	10,149
Additions	-	-	12	-	-	-	12
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 March 2016	5,810	3,715	94	505	37	-	10,161
Depreciation							
At 1 April 2015	2,504	3,494	66	462	31	-	6,557
Charged in year	388	179	7	28	6	-	608
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 March 2016	2,892	3,673	73	490	37	-	7,165
Net book value							
At 31 March 2016	2,918	42	21	15	-	-	2,996
At 31 March 2015	3,306	221	16	43	6	-	3,592
Asset financing:							
Owned	2,918	42	21	15	-	-	2,996
Finance lease	-	-	-	-	-	-	-
Net book value at 31 March 2016	2,918	42	21	15	-	-	2,996
Capital Additions							
Financing:							
Government grant	-	-	-	-	-	-	-
Core budget	-	-	2	-	-	-	2
Other capital funding	-	-	10	-	-	-	10
	-	-	12	-	-	-	12

Prior year values for Assets Under Construction restated to be in accordance with FReM.

(ii) Depreciation and amortisation charges

	Note	2016-17 £'000	2015-16 £'000
Depreciation charge for the year	8(i)	474	608
Amortisation charge for the year	9	368	756
Total charge for the year		842	1,364

9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Assets Under Cons £'000	Total £'000
Cost or valuation				Restated	
At 1 April 2016	203	1,363	8,034	1,332	10,932
Additions	-	-	323	977	1,300
Reclassifications	-	-	211	(211)	-
Disposals	-	-	-	(138)	(138)
At 31 March 2017	203	1,363	8,568	1,960	12,094
Amortisation					
At 1 April 2016	203	1,304	7,654	-	9,161
Charged in year	-	22	346	-	368
Disposals	-	-	-	-	-
At 31 March 2017	203	1,326	8,000	-	9,529
Net book value					
At 31 March 2017	-	37	568	1,960	2,565
At 31 March 2016	-	59	380	1,332	1,771
Externally generated	-	37	568	1,960	2,565
	-	37	568	1,960	2,565

All capital additions in the year were funded by Government Grant.

Cost or valuation					
At 1 April 2015	203	1,303	7,789	469	9,764
Additions	-	60	167	1061	1,288
Reclassifications	-	-	78	(78)	-
Disposals	-	-	-	(120)	(120)
At 31 March 2016	203	1,363	8,034	1,332	10,932
Amortisation					
At 1 April 2015	203	1,287	6,915	-	8,405
Charged in year	-	17	739	-	756
At 31 March 2016	203	1,304	7,654	-	9,161
Net book value					
At 31 March 2016	-	59	380	1,332	1,771
At 31 March 2015	-	16	874	469	1,359
Externally generated	-	59	380	1,332	1,771
	-	59	380	1,332	1,771

Prior year values for Assets under Construction restated to be in accordance with FReM.

10 Financial instruments

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

11 Financial assets

	Note	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Investments for unfunded pensions	11(i)	245	368
Current assets			
Investments for unfunded pensions	11(i)	126	-
		<u>371</u>	<u>368</u>

(i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2015	373	-	373
Additions	-	7	7
Disposals	-	(7)	(7)
Revaluation	(5)	-	(5)
Market value at 31 March 2016	<u>368</u>	<u>-</u>	<u>368</u>
Additions	-	131	131
Disposals	(126)	(5)	(131)
Revaluation	3	-	3
Market value at 31 March 2017	<u>245</u>	<u>126</u>	<u>371</u>
Market value of investments maturing:			
Within 1 year	-	126	126
Outwith 1 year	245	-	245
Market value at 31 March 2017	<u>245</u>	<u>126</u>	<u>371</u>

12 Trade and other receivables

	31 March 2017 £'000	31 March 2016 £'000
Amounts falling due within one year:		
Trade receivables	5,534	4,140
Other receivables	42	117
Prepayments and accrued income	19,244	19,396
	<u>24,820</u>	<u>23,653</u>

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

Other central government bodies	46	123
Local authorities	32	52
NHS trusts	-	2
	<u>78</u>	<u>177</u>

Included within trade receivables is a bad debt provision of £194,000 (31 March 2016: £1,672,000). The reduction in this provision is due to a large international debt provided for in 2015–16 but paid in full in 2016–17. During the year £51,000 of bad debt was written off (2016: £34,000).

Included within other receivables are loans to staff amounting to £35,000 (31 March 2016: £38,000).

13 Cash and cash equivalents

Balance at 1 April 2016	2,515	2,856
Net change in cash and cash equivalent balances	(4)	(341)
Balance at 31 March 2017	<u>2,511</u>	<u>2,515</u>

The following cash balances were held at 31 March 2017:

Government banking service	(44)	(718)
Commercial banks and cash in hand	2,555	3,233
	<u>2,511</u>	<u>2,515</u>

The overdrawn amount in Government Banking service is due to the timing of transfers between accounts to cover BACS payments at the year end.

14 Trade and other payables

	31 March 2017 £'000	31 March 2016 £'000
Amounts falling due within one year:		
VAT	27	34
Other taxation and social security	688	605
Trade payables	503	100
Other payables	576	540
Accruals and deferred income	8,002	9,420
	<u>9,796</u>	<u>10,699</u>

15 Provisions for liabilities and charges

SQA Unfunded Pensions	15	430	432
		<u>430</u>	<u>432</u>

(i) SQA unfunded pensions

	£'000
Balance at 1 April 2015	432
Provisions not required written back	-
Provisions utilised in the year	(16)
Unwinding of discount	16
Balance at 31 March 2016	<u>432</u>
Provisions not required written back	-
Provisions utilised in the year	(22)
Unwinding of discount	20
Balance at 31 March 2017	<u>430</u>

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

16 Government funding

	2016-17 £'000	2015-16 £'000
Scottish Government Scottish Survey of Literacy and Numeracy	540	682
Scottish Government accreditation	1,024	1,025
Scottish Government development	5,391	11,608
	<hr/> 6,955	<hr/> 13,315
Grant-in-aid	13,697	7,405
Capital funding	2,000	1,000
Notional funding	1,708	1,708
	<hr/> 24,360	<hr/> 23,428

17 Commitments under leases

Operating leases

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

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

	31 March 2017 £'000	31 March 2016 £'000 Restated
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,580	1,580
Later than one year but not later than five years	3,827	5,407
Later than five years	-	-
	<hr/> 5,407	<hr/> 6,987

Prior years lease restated to be in accordance with FReM

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 are tenants of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. The treatment of this arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 16).

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

	31 March 2017 £'000	31 March 2016 £'000 Restated
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	14,093	5,744
	<u>19,308</u>	<u>10,959</u>

Prior year leases restated to be in accordance with FReM

In addition SQA signed a 2 year extension from 1 April 2017 with the Scottish Mining Trust for the lease of property at Newtongrange. Obligations under this lease amount to £119,000, all later than one year but no later than five. There are no other operating leases.

Finance leases

There are no finance leases in operation.

18 Contingent liabilities

SQA is continuing to dispute a supplier claim relating to IT licence usage which arose in the 2015–16 financial year. The scope and value of the claim is being challenged by SQA's legal advisor.

There were no other known contingent liabilities at 31 March 2017 (2016: £nil).

19 Events post-date of Statement of financial position

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

20 Related-party transactions

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

The Learning Directorate is regarded as a related party. During the year SQA has had various material transactions with the Directorate (note 16). At the year end, there were no balances outstanding (2016: £nil). In addition, SQA has had material transactions with the Scottish Government Employability, Skills & Lifelong Learning Directorate. At the year end, there were no balances outstanding (2016: £nil).

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

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due (to)/from SQA at 31 March	
	2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000	2017 £'000	2016 £'000
Eyemouth High School SQA Board Member, Kenny McKay, holds the position of Deputy Head Teacher at the school.	30	29	-	-	-	-
Glasgow Caledonian University SQA Board Member, Wendy Mayne, holds the position of lecturer there	7	-	4	-	-	-
Glasgow Clyde College SQA Board Member, Susan Walsh, holds the position of Principal at Glasgow Clyde College	748	1,055	13	-	(8)	-
Jordanhill School SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School	54	54	7	-	2	-
NHS Education for Scotland SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	17	29	-	-	-	2
Scottish Police Authority SQA Chairman, Graham Houston, is a Board Member there	28	8	-	-	(2)	-
Stirling Council SQA Chairman, Graham Houston, is a Councillor with Stirling Council	485	488	-	-	-	1
St John's RC Academy SQA Board Member, Sean Hagney, holds the position of Headteacher there	43	-	2	-	1	-

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish Ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF is a related party as SQA Chief Executive, Dr Janet Brown, holds the position of board member there. SQA levied charges of £nil (2016: £2,000) to the SCQF during the year. At the year end, £nil (2016: £nil) remained outstanding. In addition £3,000 (2016: £1,000) of charges were incurred by SQA. At the year end, £nil were outstanding.

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



SCOTTISH QUALIFICATIONS AUTHORITY

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 16 of the Education Scotland Act 1996, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (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