



Annual Report and Accounts 2009–10

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Chairman's statement

It is my pleasure to introduce the Scottish Qualifications Authority's Annual Report and Accounts for 2009–10.

Over the past year, SQA has worked in partnership with Government, educational partners and industry to support initiatives that will help address the impact of the economic downturn. There has been a focus on the development and delivery of qualifications that will provide knowledge and skills that will help drive Scotland's economic recovery.

SQA offers a full spectrum portfolio of awards, covering everything from kilt-making to nuclear decommissioning! Our unique catalogue provides 30,000 units of learning which ensures that SQA can meet the different needs of Scotland's learners, Scotland's businesses, Scotland's economy and Scotland's society.

SQA has a twenty-year track record of doing business in international markets. This work involves educational consultancy services to governments and other bodies, as well as the delivery of SQA qualifications and services in a number of countries. SQA activities have taken place in all of the main regions of the world including China, India, the Middle East, Africa, the USA and Europe. We are currently working with key players in Bahrain, Bosnia & Herzegovina, Botswana, China, Croatia, Egypt, Kosovo, Mozambique and Romania.

In parallel, the Management Team has been working to ensure that the organisation itself is ready to face the challenges the changed economic environment will bring in the future. We have introduced new ways of working and found innovative ways to use emerging technologies, in keeping with our spirit of continuous improvement.

This report demonstrates how much reliance we place on partnership working to ensure our qualifications meet the needs of individuals and employers, particularly now as we take forward our part of the Curriculum for Excellence programme. The efforts of our staff and appointees are also invaluable in ensuring that the qualifications achieved by learners in Scotland continue to have worldwide credibility built on high standards.

The Board and I are confident the organisation is well placed to work with our partners in taking Scotland forward into growth.

Chief Executive's statement

This year has seen many developments in the education and lifelong learning landscape, with the Scottish and UK Governments continuing to put learning and skills at the heart of their strategies for economic recovery. Working with government and other agencies, SQA has a central role to play in helping to move the UK and Scotland forward towards recovery by ensuring that employers and individuals can access the skills and learning to support them through the recession and into growth. This report highlights some of our work in this important area.

As well as our work with partners on the skills agenda and employability, we have intensified our activities to support Curriculum for Excellence. We have worked with our partners in the development of policy and guidance for the next generation of National Qualifications, and have begun the more detailed work of developing qualifications for the senior phase. We have carried this out through research, and have engaged with our national partners and stakeholders from local authorities, schools, colleges, universities and employer groups.

The report also highlights some of our work to explore and share best practice in innovative forms of assessment to support learning.

Similarly, our accreditation service has begun a move towards regulation by principles. This should encourage awarding bodies to be more innovative in assessment, while ensuring that there is still a rigorous approach to quality assurance and quality enhancement.

SQA continues to provide a full, high quality, qualifications service for Scotland that enables learning and progression across the breadth and depth of the Scottish Credit and Qualifications Framework (SCQF).

This report covers the first year that SQA's Corporate Plan was aligned to the purpose, objectives and outcomes of the Scottish Government's National Performance Framework. We will continue to develop our plans to align our work with partners over the coming year.

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1 Who we are and what we do

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

The core purpose of SQA is to set and maintain standards in education and training through the qualifications and assessment we deliver in schools, in colleges, and in workplace learning. In addition, our accreditation function sets and maintains standards for awarding bodies and accredited qualifications, such as Scottish Vocational Qualifications.

SQA qualifications

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

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

SQA qualifications must:

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

There are SQA qualifications for everyone:

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

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

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

SQA Accreditation

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

The Accreditation unit can now accredit a wider range of qualifications than just SVQs. In the first full year of operation after the Cabinet Secretary's agreement that SQA could accredit all qualifications other than degrees, the Accreditation unit approved four new awarding bodies and accredited 39 qualifications other than SVQs. The accreditation function is also required to accredit the mandatory competence qualification in a Modern Apprenticeship Framework. In most cases, this will be an SVQ, though sector skills councils can propose an alternative competence-based qualification. Twelve of the 39 qualifications accredited were designed to replace the SVQ in a Modern Apprenticeship Framework.

You can read more about qualifications developments, and SQA's work in accreditation in 2009–10 in the Management Commentary.

2 Our operating environment

Many of the developments in the world of education, training, and lifelong learning in 2009–10 have been shaped by the economic recession and its impact on Scotland's employers and individuals. Dealing with the effects of economic downturn and preparing for recovery has been a theme in the work of the UK Government, the Scottish Government, SQA, and many of our partner agencies and organisations. SQA continues to ensure that we are in a strong position to work with our customers, stakeholders, and partners to develop and lead initiatives that will help people across Scotland to re-skill and up-skill with qualifications that meet the needs of Scotland.

The economic climate has meant a renewed — or re-invigorated — focus on the skills agenda. This has included the UK Government publishing strategies such as: [New Industry, New Jobs](#); [Jobs of the Future](#); and [Skills for Growth](#), the national skills strategy. The Scottish Government, meanwhile, has also been working on various initiatives, including: their [Economic Recovery Plan](#); an [updated skills strategy](#); [ScotAction](#); [Partnership Action for Continuing Employment](#); and a [National Conversation on Employability and Skills](#).

All these strategies and initiatives are intended to help move the UK and Scotland towards recovery by ensuring that employers and individuals can access the skills and learning to support them through recession and into growth. Along with the Government and other agencies, SQA has a central role to play here. For instance, through ScotAction, the Scottish Government has pledged support to increasing the availability of Modern Apprenticeships in several sectors, including Hospitality, Health and Social Care, the Creative Industries, and Life Sciences. At the core of every Modern Apprenticeship is a level 3 SVQ/NVQ qualification, and SQA continues to offer a wide range of SVQs suitable for Modern Apprenticeships.

Another example of our involvement is SQA's active membership of Partnership Action for Continuing Employment (PACE). PACE is the Scottish Government's national strategic partnership framework for responding to redundancy situations. It is intended to ensure that public sector agencies respond to potential and proposed large-scale and small-scale redundancies as quickly and effectively as possible. The partnership, led by the Scottish Government, comprises national agencies and colleges, with Skills Development Scotland co-ordinating the national- and local-level response teams to provide tailored help and support to individuals facing redundancy and to identify training activities where appropriate.

As well as our work with partners on the skills agenda and employability, we are also continuing to work on the development of [Curriculum for Excellence](#) (CfE). CfE is about helping all young people in Scotland to take their place in a modern society and economy. It provides a framework that will enable children and young people to become successful learners, confident individuals, responsible citizens, and effective contributors. The Scottish Qualifications Authority is one of the partners in Curriculum for Excellence, working closely with the Scottish Government, Learning and Teaching Scotland, HMIE (Her Majesty's Inspectorate for Education), the Association of Directors of Education Scotland (ADES) implementation partnership, and with schools and colleges. Our principal role is to contribute to work on qualifications and assessment. More information on our work around Curriculum for Excellence is set out in Section 5 Management Commentary.

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New National Qualifications will play a key role in helping to deliver the values, purposes, and principles of the reforms. They will help raise standards of achievement, improve learning experiences, and develop skills for learning, life and work. The assessment will promote breadth and depth of understanding. It will motivate and challenge learners, and ensure that they can move smoothly from a broad, general education into learning that leads to qualifications and employment.

We are continuing to work on these qualifications, while ensuring that our partners and the teaching profession are fully involved in the qualifications design teams, working groups, and review groups that will help develop the new qualifications and review the existing qualifications.

Meanwhile, the [Scottish Baccalaureates](#) in Science and Languages got underway in 2009–10. The initial take-up figures, although not high, are encouraging for the first year. We are also very encouraged by the enthusiastic feedback we have had from the students and staff across the country who are undertaking the Baccalaureates. One innovative new part of the Baccalaureate is the Interdisciplinary Project, and successful links are being formed between schools and universities, colleges, employers and other organisations to help support students carrying out this task.

Of course, SQA's work, both in 2009–10 and moving into the future, covers a much broader range of areas than those we can mention here; we continue to work with partners, both nationally and internationally, on a variety of projects. For instance, work we have undertaken in 2009–10 includes that on: [Cantonese and Mandarin qualifications](#); continuing development of new [Professional Development Awards](#); the [Safe Road User qualification](#); and work on the [More Choices, More Chances](#) agenda.

Some of the other work we are involved in is highlighted later in this Report, while you can keep up to date on our activities throughout the year by subscribing to our monthly e-zine, [Connecting with SQA](#).

3 How we operate

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

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

SQA is building its capacity to become a more flexible organisation, able to anticipate and respond quickly to the needs of Scottish employers, educators, learners, and policy-makers while maintaining the quality of its qualifications and services. SQA has undertaken to embed efficiency and make best use of public resources across all aspects of its business. SQA aims to generate profits from some aspects of its activity, for example work in international markets, for the benefit of Scottish learners.

4 SQA's goals for 2009–10

SQA's Corporate Plan 2009–12 sets SQA's strategic direction for the next three years, covering both SQA's accreditation and awarding functions. It was developed using a different approach to previous years, ensuring that the organisation's strategic goals support the Scottish Government's National Outcomes, and that management of opportunities and risks was fully embedded in SQA's corporate planning process. The Corporate and Business Plan goals were also driven by the SQA Board of Management's assessment of the environment in which SQA operates, taking account of SQA's recent progress. You can read more about SQA's response to the drivers in its operating environment in the Management Commentary for 2009–10.

A number of strategic drivers were identified when developing the Corporate Plan 2009–12. These include:

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

For 2009–12, SQA has eight strategic goals:

- Goal 1 Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland and its people.
- Goal 2 Provide a qualification and achievement record for learners.
- Goal 3 Be regarded as a leader in assessment and quality enhancement of learning in Scotland, and be recognised worldwide.
- Goal 4 Ensure SQA activities support the Scottish Government agenda to maximise the benefits to Scotland of international engagement.
- Goal 5 Develop ways to recognise individuals' learning, skills and experience and capture their wider achievements, and provide quality assurance for these mechanisms.
- Goal 6 Accredite and assure quality of qualifications, subject to demand, delivered in Scotland, other than those conferred by higher education institutions.
- Goal 7 Ensure high quality, continually improving, efficient and responsive service delivery.
- Goal 8 Continue to develop and establish SQA as a benchmark public body.

5 Management commentary

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

Curriculum for Excellence (CfE)

Curriculum for Excellence is designed to provide a seamless education from ages 3 to 18 in Scotland. The Scottish Qualifications Authority is one of the partners in the Curriculum for Excellence programme of work, with the Scottish Government, Learning and Teaching Scotland, HMIE, the ADES implementation partnership, and schools and colleges. The Chief Executive of SQA is a member of the Curriculum for Excellence Management Board.

In June 2009, the Scottish Government announced changes to Scotland's National Qualifications to be introduced from 2013–14. New qualifications at Scottish Credit and Qualifications Framework (SCQF) levels 4 and 5 (National 4 and National 5) will replace Standard Grade General and Credit, and Intermediate 1 and 2 qualifications. Higher and Advanced Higher will also be revised.

The new qualifications, National 4 and National 5, are designed to reflect the values, purposes and principles of Curriculum for Excellence and to foster skills for learning, life and work. The qualifications will offer increased flexibility, and will provide more time for learning, more focus on skills and applying learning, and more scope for personalisation. SQA will carry out further work to review National Qualifications at Access, Higher and Advanced Higher to ensure that they provide good progression from and to the new Nationals.

During 2009–10, we have been working on policy and guidance on the design, assessment and quality assurance of the next generation of National Qualifications. This has been done through research and engagement involving our national partners and stakeholders from local authorities, schools, colleges, universities and employer groups.

Building on the 3–15 outcomes and experiences, we also started strategic work on developing qualifications for the senior phase. Curriculum Area Review Groups have been established — members were nominated by partner organisations and other stakeholders. The groups are working with us on the vision and principles required for each curriculum area, and are advising on the qualifications that need to be developed.

The design principles for the next generation of National Qualifications have been agreed by SQA's Qualifications Committee and the Curriculum for Excellence Management Board.

Initial findings from targeted engagement, and advice from the curriculum area groups, have helped us to determine the broad-based learning, skills and progression requirements for qualifications for the senior phase. They have also helped to establish the relationships and links between and within curriculum areas.

In 2010–11 we will be publishing progress reports and development updates on our website. Our MyAlerts service updates subscribers whenever content is added or

updated on our CfE web pages. This means that all those interested will be able to follow progress and have an opportunity to comment as the qualifications are being developed.

National Qualifications Group Awards Development Programme

SQA's National Certificates and National Progression Awards (NPAs), which are both at SCQF levels 2–6, provide progression routes from the least advanced levels into employment and to Higher National Certificates/Diplomas and other awards. National Certificates and NPAs are collectively known as National Qualifications Group Awards (NQGAs).

Since August 2009, the project has focused on specialist single centre and specialist collaborative devised National Certificates and NPAs. The Project Team has engaged with all 43 colleges in Scotland to promote the project and encourage participation through various networking activities, including two Network Events.

A further 29 'consortium-devised' National Certificates and 46 'consortium-devised' NPAs became available to centres in August 2009. In total, by the end of March 2010, 47 National Certificates and 137 NPAs were available to centres.

Scottish Baccalaureates

SQA began an intensive period of development activity with partners from July 2008, resulting in the implementation of the Scottish Baccalaureate in Science and the Scottish Baccalaureate in Languages in academic session 2009–10.

To support centres delivering the Baccalaureates, and to promote the awards for the future, a Baccalaureate Development Manager was appointed in August 2009. Prior to implementation, SQA held a support event for early adopters in March 2009 to share information on the development of the awards and to obtain feedback.

Assessment Support Packs were produced ahead of implementation in August 2009, and six support events were offered to centres and local authorities between March 2009 and March 2010.

An encouraging number of centres have been approved in the first session of the awards, and interest has been shown by other centres through attendance at support events, as well as requests for information and developmental visits. The first cohort of candidates will be awarded their Scottish Baccalaureates in August 2010. The response to the new awards from staff and students in delivering centres is extremely positive in terms of the breadth of learning, the skills development, and the excellent preparation for higher education or employment they provide.

Centres' experiences of delivery, along with examples of good practice, will be shared in video and written case studies, which will be published on SQA's website. Evaluation and scoping exercises will be conducted during 2010–11 to identify any lessons learned and any requirement for further awards.

SQA introduces new ‘Award’ category

To meet the changing needs of learners, society and the economy, adapt to the changing learning landscape, and support the drive to increase flexibility in qualifications and assessment, SQA has developed a new category of flexible ‘Awards’. These are variable in size — they have a minimum of one Unit and no upper limit — meet a defined purpose, attract SCQF credit points, and have an SCQF level. A candidate successfully completing an Award will receive a separate commemorative certificate.

These new Awards are designed to complement our existing catalogue of qualifications and support the senior phase of Curriculum for Excellence. Recently validated SQA Awards include:

- ◆ Leadership (SCQF levels 5 and 6)
- ◆ Employability (SCQF level 4)
- ◆ Safe Road User (SCQF level 4)
- ◆ Emergency First Aid at Work (SCQF level 5)

SQA — Focus on Science

SQA has been supporting the Scottish Government’s Science Strategy through the revision and development of science-based qualifications, and through a series of science promotion activities and events. In 2009–10, this included development of Skills for Work Courses:

- ◆ Health Sector — Intermediate 1 and 2
- ◆ Laboratory Skills — Intermediate 2

We started the revision of Highers and Advanced Highers in Biology, Chemistry, Human Biology, and Physics. To support the new Modern Apprenticeship in Life Sciences, we also developed SVQs and related provision:

- ◆ SVQs in Laboratory Science at levels 2, 3 and 4
- ◆ SVQs in Scientific Manufacture at levels 2, 3 and 4
- ◆ NPA in Laboratory Science at SCQF level 6
- ◆ PDA in Laboratory Science at SCQF level 7

To support the Scottish Government’s Science Strategy and promote our Science qualifications, including the new Science Baccalaureate, we launched two competitions for schools, colleges and employers/training providers:

- ◆ Big Experiment Competition — we asked participants to tell us about a scientific experiment they have developed with their teachers or lecturers.
- ◆ Science/Engineering Teacher of the Year Competition — we asked participants to nominate an exceptional teacher/lecturer.

We sponsored related events, including the Life Sciences Annual Dinner, Chemical Sciences Scotland Annual Conference, and the Edinburgh International Science Festival. We also created the [I Discover](#) pages on SQA’s website, with information and case studies on Science, Technology, Engineering and Mathematics.

Improvements to qualifications development process

As part of SQA's continuous improvement ethos, we ensure that our processes are reviewed and revised to make them as robust, efficient and effective as possible. We have embedded revised processes and introduced new ways of working during 2009–10 to complement the organisational structure we introduced during 2008.

Our new Product Development Process was gradually introduced and tested over summer 2009. It went live at the end of September 2009. Having reviewed our existing processes we found that we could improve internal communication, streamline the process, and manage our resources more effectively by documenting and carrying out some tasks earlier.

We have put in place new processes designed to give our writers clearer guidance and support on Unit content and timescales. We also reviewed the internal quality assurance processes for the development of qualifications, and now operate a more objective peer-review process. In addition to ensuring high quality and efficient qualifications development, this will enhance staff development through the sharing of good practice.

Once products have been developed, they can be supported, launched and made available more quickly because all areas of the organisation have easier access to the information they need.

In 2010–11, we will carry out formal post-implementation review of these changes, develop management information to support our decision making, and continue to review and refine our processes.

SQA in the rest of the UK

Awards UK, SQA's joint venture with Edexcel, ended in 2009. An alternative was required to complement our Scottish and international provision, ensuring that SQA continues to be represented throughout the UK as an awarding body.

SQA expanded its Business Development Team to provide a dedicated point of contact for new and existing customers based throughout the UK and Ireland. This received positive feedback from customers.

A UK Tactical Group was set up to identify new markets and initiate a new product development plan.

Campaigns were implemented to promote new products and grow the SQA brand in key areas.

We will continue to run campaigns, attend networking conferences, and attract new centres to grow revenue and establish SQA's brand as an awarding body known for quality products and services. We continue to monitor trends and observe key markets to ensure continued success.

HN campaign

We worked in partnership with Scotland's Colleges to launch the 'Qualifications for the real world' campaign to promote HN qualifications to potential candidates and raise awareness amongst employers. The campaign included:

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- ◆ launch of an exciting music quiz, the HN Challenge, for 16–24 year olds across Scotland
- ◆ press, online and outdoor advertising for potential candidates aged over 25
- ◆ advertising in trade press, newspaper business sections and online, for employers
- ◆ development of a microsite (www.hninfo.org.uk) which included links to all Scotland's colleges and other relevant sites

The HN Challenge website had 200,000 hits throughout the campaign.

Certification

One of SQA's primary responsibilities is the certification of National Qualifications (NQ) for candidates in schools and colleges across Scotland. We undertake a year-round cycle of assessment design, recruitment of Markers and other appointees, quality assurance of coursework, delivery of the examination diet and processing of appeals.

We monitor our progress across this range of tasks throughout the year. The main delivery of NQ certification is in August and has to meet the key performance measures agreed with the Scottish Government.

SQA met all the agreed 2009–10 performance targets. A total of 159,901 certificates were issued for delivery on 5 August 2009. Candidates were also given the opportunity to receive their results by e-mail and text (see the section on MySQA).

Throughout the year, we also quality assure our wider portfolio of Higher National and Scottish Vocational Qualifications. We produce certificates weekly, in line with our agreed schedules. In 2009–10 we certificated over 160,000 Higher National and Scottish Vocational Qualifications.

NQ Appeals 2009

SQA and its centres have a common aim — to ensure that the awards received by each candidate undertaking SQA qualifications reflect their level of achievement. If a candidate does not perform as expected due to exceptional circumstances, and a sound evidence base is available, SQA's Appeals process can be invoked.

SQA worked in partnership with centres to ensure that the Appeals process ran as efficiently as possible and that candidates received the outcome of their appeal by the agreed timelines.

We met all our key performance indicators for appeals and, although there was an increase in the number of appeals submitted in 2009, there was also an increase in the success rate on the previous year — from 44% to 49%.

	2009	2008
Number of appeals	58,500	54,000
Percentage of total entries for Standard Grade and National Courses	5.4	4.7

SQA and centres continue to work in partnership to increase the proportion of appeals that are successful while ensuring that the process runs effectively and delivers best value to the candidate, centre and SQA. As part of SQA's commitment to continuous improvement, an annual review of the Appeals process has been conducted, informed by external feedback, and actions for improvement have been implemented. These include earlier communication of the 2010 Appeals process to stakeholders and centres to highlight key messages.

Electronic Marks Capture (EMC) 2009

As part of our continuous improvement ethos, SQA used Electronic Marking from Scanned Image and Electronic Marking from Paper Scripts as part of the 2009 Diet of Certification. Evaluation of the quality assurance (QA) models that were developed for EMC in 2008 fully endorsed these models and highlighted their many benefits — including support for, and rich feedback to, Markers; and item-level analysis.

In the light of this positive evaluation, EMC was expanded in 2009, with 25 new marking teams experiencing its benefits. The system was enhanced in response to feedback received from the 2008 marking teams and SQA staff. An online training course was developed to deliver training to a much larger number of Markers. Finally, Markers were given access to online support forums, where they could request advice on subject specific or marking issues throughout the marking period.

The table shows the number of papers, markers and scripts involved in each form of EMC:

	Papers	Markers	Scripts
Marking from Image	8	300	32,734
Marking from Paper	32	502	96,626
Total	40	802	129,360

The focus of evaluation in 2009 was two-fold:

- 1 Data and feedback were analysed to identify the aspects of the system, business processes and QA models that would support roll-out to a much larger number of marking teams.
- 2 Analysis was conducted to identify any issues that would need to be addressed before any large-scale roll-out could take place.

Evaluation showed that there were many strengths to the system, business processes and QA models used, but that further development was required before a large-scale expansion would be possible. It concluded that the EMC system should be maintained at the current level to embed the change in working practices. Alongside this, the focus of development activity would now be the long-term solution required to support large-scale roll-out in future years.

MySQA

MySQA is SQA's online service for candidates. Candidates register online, and when their account is fully activated they can view all their qualification information. If they are doing National Qualifications, they can get their exam results sent by e-mail and/or text message.

In 2009, MySQA was promoted to candidates sitting exams via schools, radio, press, bus, and online advertising. On 5 August 2009, 28,112 e-mails and 20,418 text messages giving exam results were sent to candidates. In September 2009 we commissioned research to get feedback from candidates about their decision to use or not to use MySQA. The research showed that:

- ◆ of the respondents, 31% registered for MySQA in 2009 and 69% did not
- ◆ the fact that a paper certificate would be received was a reason for not registering to receive results through MySQA for 71% of respondents
- ◆ 32% of respondents said that earlier access to results might encourage them to register the following year

For 2010, the MySQA service will issue results to candidates by text and e-mail one day before paper certificates are delivered.

Candidate advice line

SQA provided a telephone-based support line for Scotland's learners from 5 to 7 August 2009 to provide advice and deal with queries from candidates and parents following the issue of National Qualifications results. We worked closely with Skills Development Scotland to ensure that the support and advice offered to candidates was consistent. This year the advice line received a total of 2,624 calls and 77% of these (2,015) were received on 5 August. Planning is underway for the delivery of the 2010 advice line.

Strategic Goal 2 — Provide a qualification and achievement record for the people of Scotland.

SQA reports on learners' achievements through the Scottish Qualifications Certificate and MySQA. More information about the MySQA online service for candidates is reported as part of Goal 1.

In 2009–10, SQA worked with the Scottish Government and partners on ways to recognise achievement. In the context of Curriculum for Excellence, recognition of achievement will be done through schools and local authorities. The Scottish Government has asked SQA to revise our goals around recognition of achievement to reflect the CfE approach and to concentrate on the role of qualifications in recognising achievement. The new goal will be for SQA to 'enhance the role of qualifications and services in recognising the skills of individuals across the education and training system'.

Strategic Goal 3 — Be regarded as the leader in assessment and quality enhancement of learning in Scotland, and recognised worldwide.

Flexible use of assessment and quality assurance

To ensure that its assessment is fit for purpose in reflecting the needs of society, and that it offers attractive options to motivate learners, SQA continued to build on its earlier work to expand the availability of e-assessment for its qualifications.

In 2009–10, we continued to develop and refine our SOLAR on-screen assessment project as well as undertaking work to explore uses of e-portfolios, the potential of wikis and blogs and other forms of social software for assessment, and games-based assessment. The first year of our European Social Fund (ESF) funded work to develop e-assessment and e-learning support materials for National Certificates and National Progression Awards (the TranSETT project), has seen the development of approximately 11,000 summative and formative e-assessment items across 78 high-uptake National Certificates and NPAs.

The first year of the ESF-funded Skills for Scotland project has seen the DeskSpace e-portfolio system being made available for all Skills for Work Courses, and the development of games-based assessment in two curriculum areas. These resources will be available to centres from August 2010.

We also worked with Learning and Teaching Scotland, Scottish Government colleagues and suppliers to develop content and software for the new National Assessment Resource (NAR) which will play a key role in supporting assessment under Curriculum for Excellence. We have also been working with Scottish Government and other public bodies to continue to develop e-assessment and learning resources to support national initiatives in numeracy and Gaelic.

Best practice in assessment and quality assurance

Before April 2009, the development of best practice in assessment and quality assurance across our portfolio of qualifications was taken forward through research and pilot work in centres and with local authorities, and through SQA Academy courses for appointees and centre staff.

Activities in 2009–10 have included action research projects, research to pilot models of quality assurance of qualifications, conference presentations, and expansion of SQA Academy.

Over the last few years, we have worked with 22 schools and colleges on action research projects. The projects have included work on:

- ◆ embedding Core Skills in vocational subjects
- ◆ innovative approaches to quality assurance
- ◆ cross-curricular assessment
- ◆ approaches to wider achievement through qualifications
- ◆ the development of cross-curricular approaches to literacy and numeracy

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We have also been working collaboratively with six local authorities to try out different approaches to quality assurance of qualifications.

Best practice from our research and pilot work has been shared with colleagues through presentations to national and international conferences, including the Cambridge Assessment Conference, and the International Association of Educational Assessment Conference. We developed new courses and refined existing courses for SQA Academy, drawing on good practice from work to date and evidence from a local authority focus group.

Outcomes of all these strands of activity are being used to inform work across our portfolio of qualifications and other assessment activities, including the National Assessment Resource and Scottish Survey of Achievement.

Approaches to assessment that support learning

In 2009–10, our work around assessment to support learning included:

- ◆ engagement with centres and action research
- ◆ research into the status of, and possible support for, teacher assessment, holistic assessment, and integrating outcomes and skills
- ◆ work undertaken with Learning and Teaching Scotland and Scottish Government to develop functionality and content for the new National Assessment Resource
- ◆ development of a Unit specification in accordance with Qualifications and Curriculum Framework (QCF) regulations to support delivery of qualifications in the QCF as part of our commercial activity
- ◆ development of an assessment support pack to help centres with assessment of QCF products

We are drawing on the outcomes of this activity to inform work for Curriculum for Excellence and for other parts of our portfolio of qualifications, and will refine and further develop processes and the design of assessment materials in 2010–11.

Advice on assessment

Providing robust evidence-based advice to the Scottish Government is one of SQA's principal roles. Further research activity during 2009–10 was used to:

- ◆ explore whether future guidance may be required to make sure that assessment in HN qualifications continues to meet current and emerging demands
- ◆ explore issues in teacher assessment of the new National Qualifications for Curriculum for Excellence, especially assessment that integrates outcomes and skills
- ◆ provide advice to Scottish Government on assessment for the new and revised qualifications for Curriculum for Excellence
- ◆ assist national partners in the development and publication of the Scottish Government's Assessment Strategy and the Assessment Framework — *Building the Curriculum 5*

We will continue to provide Scottish Government and key stakeholders with advice on assessment in 2010–11.

Integrated continuing professional development (CPD) planning for SQA staff, appointees and centre staff

During 2009–10, SQA has been building on its existing mechanisms to provide CPD to underpin the implementation of new qualifications and products. This included:

- ◆ masterclasses and research seminars for staff
- ◆ research and development
- ◆ launch of our Integrated Staff Training Programme for staff in our Qualifications Directorate
- ◆ review of current appointee training programmes and development of our Appointee Training Matrix

We have been planning future CPD activity to support Curriculum for Excellence, including:

- ◆ development of generic assessment expertise
- ◆ the extension of e-assessment
- ◆ the implementation of assessment at subject level
- ◆ training and development of appointees
- ◆ the extension of quality assurance and moderation systems, and
- ◆ the development of information management and business systems

Positive feedback has been received for activity to date from SQA staff and appointee evaluations of training programmes, and from stakeholders, including the ADES Curriculum for Excellence CPD Implementation Partnership.

In 2010–11, we will complete development and implementation of our integrated CPD programme for staff, appointees and key stakeholders including:

- ◆ development of CPD on e-enablement
- ◆ development of a structured CPD programme to support Curriculum for Excellence
- ◆ evaluation of our Integrated Staff Training Programme

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

International activities

SQA's refreshed International Strategy, which was approved by the International and Commercial Committee in March 2009, specified the four broad strands of international activity that SQA will continue to be engaged in. These are:

- ◆ international awarding and associated services in target markets
- ◆ international consultancy in support of national education and training reform in developing and transition countries
- ◆ training services

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- ◆ other activities to support the Scottish Government strategy to promote Scottish expertise and to benchmark ourselves with similar organisations from other countries

Undertaking international work helps us to:

- ◆ support the Scottish Government's engagement plans and inform and influence policy in Scotland
- ◆ promote Scotland, Scottish ideas, qualifications and related services globally
- ◆ maintain and develop SQA's position as a respected international awarding and accreditation body
- ◆ generate revenue

We have successfully developed strategic alliances with partner organisations and governments to bid for and manage projects funded by the World Bank, the EU and governments in support of national reform programmes in developing and transition countries.

During 2009–10, we have undertaken international awarding and consultancy activity in:

- ◆ Africa
- ◆ China
- ◆ European Union
- ◆ India
- ◆ Middle East
- ◆ USA

SQA hosted 14 study visits to Scotland for a variety of nationalities and institutions, including representatives from the Ministry of Education, Research and Innovation of Romania, and the National Authority for Quality Assurance and Accreditation, Egypt.

Strategic Goal 5 — Develop ways to recognise individuals' learning, skills and experience and capture their wider achievements, and provide quality assurance for these mechanisms.

In Curriculum for Excellence, learners' achievement relates to all aspects of their planned learning. It includes their achievement in relation to national standards, as well as expectations in their broad general education and in the senior phase, including in National Qualifications, and their progress in becoming successful learners, confident individuals, responsible citizens and effective contributors. SQA supports recognition of achievements, and recognition for the skills for learning, skills for life and skills for work that are developed through these achievements.

This work was taken forward in 2009–10 through early exploratory work with national partners and stakeholders. In the context of Curriculum for Excellence, recognition of achievement will be done through schools and local authorities.

As a result of this work, the Scottish Government asked SQA to revise Strategic Goals 2 and 5 to reflect the appropriate focus of work within the SQA. The new goal

will be for SQA to ‘enhance the role of qualifications and services in recognising the skills of individuals across the education and training system’.

Strategic Goal 6 — Accredit and assure quality of qualifications, subject to demand, delivered in Scotland, other than those conferred by higher education institutions.

SQA Accreditation

The Scottish Government extended the remit of SQA Accreditation to support quality improvement of all qualifications awarded in Scotland. As part of its continuous improvement process, SQA is focused on continuously improving its service, and has undertaken a review of its current Awarding Body Criteria, considering approaches used by other regulators. As a result, in line with practice by other regulators, we have adopted a move towards regulation by principles. This will be more effective in supporting innovation in the way that awarding bodies design, deliver and quality assure qualifications.

Working with the other UK qualification regulators, we developed a set of Common Principles, which are at a higher, strategic level than the current Awarding Body Criteria. These will encourage awarding bodies to be more innovative, while ensuring that there is still a rigorous approach to both quality assurance and quality enhancement.

Having agreed the Common Principles, we consulted with awarding bodies, sector skills councils and other stakeholders — and received positive feedback. The one over-riding comment in the feedback was that we should try to ensure that there is a UK agreement on the Common Principles.

The Common Principles will be refined during 2010–11 as a result of some of the specific feedback from the consultation. This will include work with the other UK qualification regulators to agree a four-country set of Common Principles. There will also be focus groups for awarding bodies.

Strategic Goal 7 — Ensure high quality, continually improving, efficient and responsive service delivery.

Customer relationship management

Before April 2009, work had been completed to establish the requirement for an organisation-wide customer relationship management (CRM) system to create ‘single view’ visibility of all customer interactions.

In 2009–10, the CRM system and supporting business processes were designed, training and documentation were delivered, and staff in our Business Development Directorate began using the system to capture details of interactions with customers.

Continuous improvement

We established a team of Continuous Improvement (CI) Champions, staff members who are trained to assist colleagues in reviewing and improving processes, in 2008–09. During 2009–10, these Champions conducted awareness workshops across the organisation to equip individuals to participate in continuous improvement activities. Work has taken place to review and improve processes for handling complaints, malpractice and appeals, and partnership working in quality.

Script management and marks processing

A good example of CI ‘in action’, which was initiated in early 2008, was the project to re-engineer the business processes for script handling and marks processing, and to reduce the resources associated with these processes.

This work came to fruition during 2009 with the implementation of a single flow Direct Data Input process. The new process achieved the objectives of maintaining the quality of the data, eliminating non-value added activity, and achieving cost savings in temporary staffing.

A full review of the new process was undertaken in August 2009 and further refinements will be implemented in the 2010 Diet of Certification.

Development plan for staff

We continue to develop SQA teams and staff in response to changing business needs. In 2009–10, there has been increased focus from external to internal provision of staff development solutions.

An SQA Skills Map was introduced. Staff can use it to access core development opportunities. Talent mapping and succession planning were also introduced to assist with future development planning. These changes have resulted in significant cost savings on training activity from previous years.

Strategic Goal 8 — Continue to develop and establish SQA as a benchmark public body.

Managing business continuity

During 2009–10, we built on our earlier work to embed a business continuity management system, delivering a series of training and awareness sessions for teams across the organisation. We reviewed our plans, and worked with stakeholders in the Scottish Exams Contingency Group and UK Awarding Bodies Crisis Management Team to ensure that we were prepared to address the implications of a potential flu pandemic.

Gaelic language plan

As part of our Gaelic language planning work in 2009–10, SQA has developed an action plan to strengthen our role in contributing to the National Plan for Gaelic and the National Gaelic Education Strategy. At the heart of this plan is a commitment to

expand the range of National Course assessments available in the medium of Gaelic, and to ensure that Gaelic language qualifications for both fluent speakers and learners are a central part of the portfolio of language qualifications which will form part of the new generation of qualifications developed to support Curriculum for Excellence. The plan also outlines our commitment to improve the certification opportunities for adult learners of Gaelic. As part of the development of this plan the following specific actions were completed in 2009–10:

- ◆ The development and publication (in bilingual format) of the revised Gaelic Orthographic Conventions.
- ◆ The establishment of a colleges' advisory group and the development of 12 free-standing language skill Units to facilitate progression in adult learning and Gaelic immersion provision.
- ◆ The creation of a Curricular Area Review Group for Languages with representation from the Gaelic education sector.
- ◆ In the spring of 2009, a tri-partite conference took place in Inverness for all stakeholders in Gaelic education. Organised by SQA, HMIE and LTS, it is envisaged that an event of this type will take place every two years.

Equality

We continued to undertake equality impact assessment (EqIA) of our existing and new policies and procedures. This informed our action plans for disability, gender and race equality. We began updating our Policy Development and Review process to include an EqIA stage. This will ensure all new policies undergo an EqIA prior to approval.

Our Disability Equality Scheme and Action Plan was revised in December 2009 and approved by the SQA Board. It sets out how we intend to respond to our statutory Disability Equality Duty and improve disability equality by SQA during 2010–13.

We continued to develop and meet our targets for gender and race equality, guided by our current Gender Equality Scheme and Race Equality Scheme and Action Plans.

In December we took staff members from the Curriculum for Excellence Team through training on issues relating to equality and inclusion in qualifications and assessment.

SQA: Giving something back

SQA is committed to being a responsible corporate citizen and a supportive employer. To drive forward our ambitions in this area we are implementing a corporate social responsibility strategy that clearly focuses our activities around supporting local communities, staff, customers and the environment. Details are on our website at www.sqa.org.uk/givingsomethingback.

The health and wellbeing of our staff continue to be driven forward by our Make A Change (MAC) group. A promotional week of events and activities was held to raise staff awareness of mental health topics, from stress to depression to dementia. Our significantly revised and updated corporate policy on Mental Health and Wellbeing was introduced.

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The MAC Group developed MAC Online, a substantial communication resource that lets staff access local health information as well as links to external websites on health and lifestyle issues. We evaluated all our work, and have benchmarked our activities with other companies to identify priority areas for future work. The MAC group achieved the Healthy Working Lives Gold Award.

The environment is a significant element of our corporate social responsibility activity. We are committed to monitoring the impact our business operations and CO₂ emissions have on the environment and sustainability.

We have worked closely with the Carbon Trust to become one of the first Scottish public bodies to participate in the Carbon Management programme. We now convert all our environmental data to CO₂ emission figures, aiming to reduce our CO₂ output by 15% over the next five years. A number of projects have been developed with the Carbon Trust to move forward our ambitious CO₂ reduction target. Our fleet vehicles have been replaced by low-carbon-emission vehicles, and we have developed a Travel Plan promoting the use of public transport to staff and visitors.

We introduced two cycle schemes, which resulted in us achieving Cycling Friendly Employer Status from Cycle Scotland. Our On yer Bike! scheme allows staff to borrow one of our pool bikes to try out cycling to work or for exercise. Staff who use bikes on company business get reimbursed mileage. Our salary sacrifice scheme, supported by the UK Government, allows staff to buy bikes at reduced cost. So far 17 staff have joined the scheme, and a waiting list is in operation for the next scheme in the new tax year.

In 2009–10 an employer-assisted volunteering scheme was agreed, allocating 21 hours per year to all permanent staff to support staff volunteering activities in our local communities linked to our corporate values. Pilot volunteering schemes undertaken in 2009 included: building a rabbit-proof fence at an allotment for the North Glasgow Community Food Initiative; planting trees for the Central Scotland Forestry Trust; and giving mock interviews to school leavers supporting Glasgow City Council in a Commonwealth Apprenticeship initiative. In addition, our staff raised over £12,000 in 2009 for nominated local charities.

In 2009–10, SQA became a member of the Scottish Fair Trade Forum (SFTF), sponsored a student to travel to Malawi on a fair trade mission, and continued to raise staff awareness of fair trade through events and regular articles in Inform, the SQA staff newsletter.

Relocation of SQA Dalkeith

Following a detailed survey of our Ironmills Road premises in June 2009, and costing of three different levels of refurbishment, a Business Case was submitted to Ministers evaluating these options against an updated shortlist of relocation opportunities. Approval was given in November 2009 to progress negotiations with a single relocation option, and on 1 March 2010 the Scottish Government announced that SQA's Midlothian operations will be moving to a new-build facility at Shawfair Park, near Dalkeith.

The new facility will provide accommodation fit for our future business needs, and will deliver a sustainable and attractive environment for our staff. Relocation is planned for late 2011.

Show Racism the Red Card

SQA teamed up with Show Racism the Red Card (the anti-racism charity, which uses professional footballers as anti-racist role models) to develop and promote a creative competition for primary, special and secondary schools, as well as FE colleges in Scotland. Entrants produced a creative piece of work to get across the message loud and clear that racism has no place in Scotland. The competition was launched in September and the presentation ceremony took place at Hampden Park, Glasgow in March.

Promoting creativity

We supported the Scottish Government's Homecoming Year with a number of projects. In partnership with the Scottish Poetry Library, we issued a class set of 30 *Addressing the Bard* books of new poetry to every school and college in Scotland. Our Scotland and Me creative competition challenged school and college students to develop a piece of creative work inspired by one of the Homecoming themes. Hundreds of entries were received, and an exhibition showcasing the most innovative competition entries was held in November with a selection of competition entries then going on show at Stirling Castle and the Glasgow Science Centre.

We launched Art Online to allow public bodies, schools and colleges across Scotland to borrow artworks from our extensive art collection for local exhibitions and as a teaching resource.

Our first ever collaboration with the world renowned Glasgow School of Art was our First Steps exhibition held in February 2010. The exhibition showcased the imaginative work of the students completing the Intermediate 2 Product Design Course. Their brief was to design a piece of street furniture for the Glasgow School of Art Mackintosh building.

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

18 August 2010

6 Performance measures

SQA identified performance indicators to measure its success in implementing the Corporate Plan 2009–12, linked to the strategic goals and National Outcomes. The results for these performance measures are set out in the table overleaf.

Measures	Target	Actual	Perf	Commentary	M/S	
A	Increase uptake of qualifications from 2008–09				Prior to 2009–10 all National Course Group Award data was held on an academic year basis, thus comparable year-on-year performance for National Courses is not available. However, it is known that National Unit entries for 2009–10 are 9% up on 2008–09.	S
	Higher National Certificates/Diplomas			106%		
	Higher National Units			122%		
	Scottish Vocational Qualifications Group Awards			104%		
	Workplace Assessed Units			111%		
	Achieve agreed product development plans					
B	Curriculum for Excellence	N/A	N/A	N/A	SQA met its planning, preparation and staffing objectives for 09–10. Also commenced initial scoping and engagement work for developing the next generation of qualifications for CfE.	M
	National Qualifications Group Awards	23	23	100%		
	E-assessment	N/A	N/A	N/A	SQA has increased the number of qualifications supported by e-assessment in line with plans.	
	Recognition of wider achievement	N/A	N/A	N/A	Both taken forward in 2009–10 through early exploratory work with national partners and stakeholders, including involvement in a Scottish Government Research Advisory Group.	
	Record of qualifications and achievements	N/A	N/A	N/A		
C	Achieve target improvements in service levels for SQA Accreditation	70%	86%	123%	Accreditation Customer Survey exceeded target.	S
D	Achieve agreed perception targets for customers	N/A	81%	N/A	Customer Survey shows high levels of satisfaction across all service delivery indicators.	S
	Schools	N/A	81%	N/A		
	Colleges	N/A	81%	N/A		
	Employers and training providers	N/A	79%	N/A		
E	Achieve agreed stakeholder perception targets • Candidates • Users of qualifications — employers and higher education	N/A	83%	N/A	The 2009 Stakeholder Tracking Research shows that SQA's overall credibility rating among candidates, potential candidates, schools, colleges, employers and training providers stands at 83%, which equals the highest ever recorded figure.	S
	• Scottish and UK Government • Partner organisations • Education and training professionals	N/A	N/A	N/A		
F	Achieve agreed performance measures for 2009 Diet of Certification	100%	100%	100%	SQA met all agreed 2009–10 performance targets.	M
G	Achieve agreed efficiency targets	£700k	£994k	142%	Cumulative performance relative to cumulative targets for 2008–09 and 2009–10.	S
	Pay suppliers within 10 days	65%	84%	129%		
H	Achieve agreed staff and appointee engagement targets				An increase in 34 staff of which 21 were CfE and grant funded posts.	M
	Adhere to planned staff levels	723	757	105%		
	Appointee milestones	100%	100%	100%		
I	Achieve 3% reduction in CO ₂ tonnage	N/A	4392	N/A	Data for previous year is not comparable as updated monitoring mechanisms have been implemented.	M

Tolerance: We aim to surpass certain targets where higher than target rating is desirable — eg 'achieve qualifications uptake forecast' — marked S and have one set of tolerances. Other targets can only be met, not exceeded — eg achieve a set number of milestones — these are marked M and have a different set of tolerances.
Targets we aim to surpass: <90% = red, >90% but <95% = amber, >95% = green
Targets we aim to MEET: <90% or >110% = red, >90% but <95% or >105% but <110% = amber, >95% or <105% = green

7 The future

The Corporate Plan 2010–13 sets SQA's strategic direction for the next three years, covering both SQA's accreditation and awarding functions. The plan has built on the approach taken in the previous year, ensuring that the organisation's strategic goals support the Scottish Government's National Outcomes.

SQA's strategic goals for 2010–13 are:

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

8 Remuneration report

1 Our staff

The remuneration for our Executive Team is determined by our Remuneration Committee in conjunction with the Scottish Government Pay Policy Unit. In reaching its recommendations it has regard to:

- ◆ the Scottish Government's Pay Policy and Guidance to ensure affordability
- ◆ the need to recruit, retain and motivate
- ◆ the marketability of our remuneration in relation to the local/national labour markets

Our Executive Team is responsible for the management of our business. The Chief Executive is appointed by our 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 of staff below the Senior Management Team is determined by the organisation in conjunction with its trade unions, complying with Scottish Government Pay Policy and Guidance to ensure affordability. The pay settlements for staff are developed with our Partnership Group to ensure they motivate, recruit and retain staff.

We operate performance related pay for all staff, with annual consolidated salary increases based on good performance and also non-consolidated payments for staff who demonstrate high/exceptional performance against objectives derived from the Corporate Plan.

2 Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. Employee contributions from 1 April 2009 are based on full-time equivalent pay as at 31 March for LGPS (see below) and 6.4% of pensionable earnings for the Scottish Teachers' Superannuation Scheme. For 2009–10 employer's contributions of £2,769,049.09 were payable in total. These contributions were based on 17.3% for LGPS pensionable pay and 14.9% for SPPA pensionable pay.

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

SPF Contribution Rates

Pay tranche	Contribution rate paid on that tranche
Up to and including £18,000	5.50%
Above £18,000 and up to £22,000	7.25%
Above £22,000 and up to £30,000	8.50%
Above £30,000 and up to £40,000	9.50%
Above £40,000	12.00%

3 Our Non-Executive Board

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

A new Chairman was appointed on 1 February 2009. The Chairman's level of remuneration is set and reviewed annually by the Scottish Government.

The members of the Board are appointed by Scottish Ministers from a range of backgrounds from the public and private sectors. Board members are paid a monthly fee on the basis of their duties that are set and reviewed annually (August) by the Scottish Government.

4 Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and members of the Executive Team and recommends the annual pay award and bonus to Scottish Government.

5 Disclosure of remuneration

The salary and pension entitlements earned during the year by our senior staff in the roles noted are shown in the tables that follow. This section of the Remuneration Report is subject to audit.

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	Salaries and other payments		Benefits in kind	
	2010	2009	2010	2009
	£'000	£'000	£	£
Chairman				
Graham Houston (appointed 1 February 2009)	0-15	0-5	-	-
Chief Executive				
Dr Janet Brown	145-150	120-125	7,000 ¹	6,700 ¹
Non-Executive Board Members				
Anthony Cassidy	0-5	0-5	600 ²	900 ²
Jim Edgar	0-5	0-5	300 ²	-
Willie Gallagher**	0-5	0-5	300 ²	-
Judith Gillespie*	0-5	0-5	-	100 ²
Prof Alex MacLennan	0-5	0-5	500 ²	200 ²
Kenny McKay**	0-5	0-5	200 ²	-
John Mitchell*	0-5	0-5	100 ²	400 ²
Margaret Nicol	0-5	0-5	300 ²	-
Gordon Rodgers	0-5	0-5	-	-
Prof John Simmons	0-5	0-5	500 ²	300 ²
Susan Walsh	0-5	0-5	200 ²	-
Directors				
Maidie Cahill	85-90	75-80	-	-
Rob Gibson	80-85	40-45	-	-
Karen McCallum	95-100	85-90	-	-
John McDonald	95-100	85-90	-	-
Gordon Moodie**	70-75	-	-	-
Dr Gill Stewart	95-100	70-75	-	-
Ron Sylvester*	40-45	80-85	-	-

*Judith Gillespie and John Mitchell left the Board on 30 June 2009. Ron Sylvester left on 1 August 2009.

**Willie Gallagher and Kenny McKay started on 1 July 2009. Gordon Moodie started on 5 May 2009.

Benefits in kind are:

1 Company car

2 Travel and subsistence

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In previous years, only the Chairman of the Board was entitled to receive remuneration. However, this was amended by the Scottish Qualifications Authority Act 2002 enabling all Board members to receive remuneration. The remuneration paid during the financial year is disclosed above. Board payroll, travelling and subsistence costs are included in Board and Committee expenses in note 5 to the accounts.

The pension entitlements earned during the year and the prior year by our Senior Staff in the roles noted are as follows:

	Real increase in pension	Total accrued pension at 31 March 2010	Cash equivalent transfer value at 31 March 2009	Cash equivalent transfer value at 31 March 2010	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
Chief Executive					
Dr Janet Brown	0-2,500	0-5	339	403	48
Directors					
Maidie Cahill	0-2,500	5-10	228	271	33
Rob Gibson	0-2,500	0-5	6	20	14
Karen McCallum	0-2,500	0-5	37	53	14
John McDonald	0-2,500	5-10	336	402	51
Gordon Moodie	-	-	-	-	-
Dr Gill Stewart	0-2,500	0-5	269	410	53
Ron Sylvester	-	-	-	-	-

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	Real increase in pension	Total accrued pension at 31 March 2009	Cash equivalent transfer value at 31 March 2008	Cash equivalent transfer value at 31 March 2009	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
Chief Executive					
Dr Janet Brown	0-2,500	0-5	241	339	99
Directors					
Maidie Cahill	0-2,500	5-10	60	228	168
Rob Gibson	0-2,500	0-5	-	6	6
Karen McCallum	0-2,500	0-5	16	37	21
John McDonald	0-2,500	5-10	215	336	123
Gordon Moodie	-	-	-	-	-
Dr Gill Stewart	0-2,500	0-5	-	269	269
Ron Sylvester	-	-	-	-	-

Dr Janet Brown, Maidie Cahill, Karen McCallum, John McDonald, Dr Gill Stewart and Rob Gibson are ordinary members of the Strathclyde Local Government Superannuation Scheme. Gordon Moodie and Ron Sylvester are not members of the pension scheme.

Additional voluntary disclosures of remuneration

In addition to the above statutory disclosures, we have opted to disclose additional voluntary information on the remuneration of other higher paid staff.

Annual remuneration	Number of staff
£50,000 - £60,000	19

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

18 August 2010

9 Statement on internal control

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, whilst safeguarding the public funds and assets for which I am personally responsible.

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

Purpose of the system of internal control

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

The system of internal control is based on an on-going 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 2010 and up to the date of approval of the annual report and accounts.

The Finance and Corporate Governance Directorate continues to be responsible for ensuring that appropriate internal controls are applied. These controls include:

- ◆ appropriate governance and management structures to ensure the effectiveness of operations
- ◆ a robust corporate planning and performance framework to ensure the economical and efficient 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

Governance and management structures

Sponsor department

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

Board of Management

The Board sets the strategic direction for the organisation through a robust process of review and approval of the Corporate and Business Plans which are submitted to Scottish Ministers.

The Board is supported by a number of committees with specific remits: the SQA Accreditation Committee, the SQA Advisory Council, the SQA Qualifications Committee, the SQA International and Commercial Committee, and the SQA Audit Committee. In line with statute, the SQA Accreditation Committee and the SQA Advisory Council are also responsible to Scottish Ministers. The Board continues to review periodic reports from the chairpersons of its committees concerning any significant matters of governance or internal control.

Audit Committee

The Audit Committee provides advice to the Board on matters related to governance, the management of identified risks, and the effectiveness of the internal control system.

In addition, during 2009–10 the approach to performance reporting was reviewed and the remit of the Audit Committee extended to include an independent review and challenge of the quarterly performance report and progress against agreed targets. The Audit Committee highlight any matters of interest to the Board for their consideration.

Internal audit

The Joint Internal Audit Plan for 2009–12 has been agreed by our Executive Management Team and endorsed by our Audit Committee. This activity is internally managed by the organisation's Corporate Planning Team. The team works in partnership with the internal auditors to monitor and report on audit activity, including tracking progress in addressing internal and external audit recommendations.

In accordance with our current contractual arrangements, SQA engages the services of independent internal auditors, PricewaterhouseCoopers, operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS). 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.

In addition to the outsourced audit activity, SQA operates an additional in-house audit programme, with trained volunteers released from their substantive roles within the organisation to complete audits of key processes. The reports of all out-sourced and

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in-house audit work is reviewed by the Executive Management Team and the SQA Audit Committee.

Planning and performance framework

The SQA Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with Ministerial guidance. The SQA Corporate Plan 2010–13 has been developed to align with the 15 National Outcomes identified in the National Performance Framework.

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

Progress against objectives within the Corporate Plan is subject to review by the Audit Committee through the provision of quarterly performance reports. The Audit Committee reviews progress against each of the measures identified within the Corporate Plan and reports any matters of interest to the Board of Management for their consideration.

Risk management framework

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

SQA has a Board-approved risk management strategy and framework which is subject to continued review by the Board, Audit Committee and our internal auditors. Risks are identified, reported on and monitored according to this framework. Each quarter, the Executive Management Team and Audit Committee review the register of key strategic risks and mitigating action. Within the business areas of SQA there are operational risk registers. These risks are reviewed regularly to determine if any require to be escalated to the Executive Management Team and Audit Committee or Board, if appropriate.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. During 2009–10 a training and awareness program for all staff has been rolled out. Work continues with partner and stakeholder organisations to identify shared risks and solutions, for example in relation to pandemic flu.

Compliance with policies, procedures, laws and regulations

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

The SQA Corporate Lawyer advises on matters which are referred for legal advice with a view to supporting the achievement of objectives in a manner compliant with legal requirements and the effective management of legal risk. Advice is also given to the Board of Management and the Executive Management Team on the implications of new legislation.

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SQA has a dedicated Procurement Team which advises SQA on procurement contract arrangements and provides guidance in terms of compliance with emerging changes to procurement rules from the Scottish Government. An electronic purchase order processing system is in operation across SQA. This provides a controlled and streamlined environment to support both compliance with relevant legislation and SQA's financial regulations, and to secure best value.

Safeguards against losses

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

The organisation's Scheme of Delegation has been reviewed and amended during the financial year 2009–10. Controls are in place to ensure that financial transactions are authorised in line with the Scheme of Delegation. Duties for Finance staff have been segregated to ensure effective financial controls.

An anti-fraud policy and fraud response plan are in place, ensuring that all SQA employees understand their responsibilities in this area and that prompt action is taken in the event that fraudulent activity is suspected.

Integrity and reliability of information and data

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. As required by ISO 27001:2005, SQA has a reporting structure for information security incidents. During 2009–10 there were no reported personal data incidents. As part of the development of processes to ensure that our data, information and knowledge are appropriately managed throughout the organisation, SQA has invested in an Electronic Content Management system. This will be rolled out across the organisation in 2010–11 and will enable better management of the storage of, and access to, documents.

Continuous improvement and best value

SQA is committed to ensuring that arrangements are in place which will lead to a continuous improvement in SQA's performance and an economic, efficient and effective use of the organisation's resources. Continuous Improvement Champions are appointed across SQA to facilitate on-going improvements to the organisation's ways of working and to identify opportunities for improving effectiveness across and within our business units.

Review of effectiveness

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

- ◆ the senior management within the organisation who have responsibility for the development and maintenance of the internal control framework
- ◆ the work of the internal auditors, who submit to the SQA's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement.

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(Specifically, during 2009–10, I have considered the reviews of Management of Risk, Budgetary Control, Income Analysis, Foreign Currency, Programme Management of External Assessment and NQ Certification and Post Implementation Review of Organisational Restructure.)

- ◆ comments made by the external auditors in their management letters and other reports

I have been advised in my review of the effectiveness of the system of internal control by the Board and the Audit Committee. I have concluded that the internal control system is operating effectively and that appropriate action plans are in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

18 August 2010

10 Statement of Accountable Officer's Responsibilities

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

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

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

11 Financial performance

Financial overview

The financial results for the year ended 31 March 2010 are contained in the attached annual accounts, which have been prepared in accordance with the 2009–10 *Government Financial Reporting Manual*. The financial performance and position of the organisation are contained within the net expenditure account and the statement of financial position respectively. The accounting policies adopted by SQA are set out in the notes to the accounts.

Adoption of International Financial Reporting Standards (IFRS)

Our 2009–10 accounts are prepared under IFRS for the first time. A note disclosing the adjustments required as a result of first time adoption is shown in the notes to the accounts.

Cash balance

Our financial memorandum with the Scottish Government requires that no grant-in-aid is drawn down in advance of need. As grant-in-aid is drawn down on a cash basis this requires SQA to ensure that all cash receipts are expended prior to the end of the financial year and that no cash balances are held at the year end. The statement of financial position as at 31 March 2010 shows that a cash balance of £nil (2009: £nil) was retained at the year end. Our financial objective in this regard was therefore achieved.

Pension deficit, capital reserves and going concern

SQA has included a pension deficit of £17.1m within the annual accounts under IAS 19, the IFRS which relates to the disclosure of pension arrangements. This deficit has been advised by Hymans Robertson, the actuary to the Local Government Pension Scheme, of which SQA is a member. The inclusion of this deficit means that the statement of financial position shows negative equity of £3.1m. As SQA is sponsored by the Scottish Government and has no reason to believe that reduced support will in future be given to SQA, the accounts have been prepared on a going-concern basis.

Property, plant and equipment

SQA owns one property at Ironmills Road, Dalkeith. The property and associated land are held at fair use value and were last valued on 31 March 2008 at £4.5m.

The Scottish Government announced on 1 March 2010 that SQA's Midlothian operations will be moving to a new-build facility at Shawfair Park, near Dalkeith. The value of the feuhold land and building will be directly impacted by the decision to relocate. However, it is felt that the carrying value of £3.1m at 31 March 2010 is a reasonable estimate of market value and it is not considered that there is a need for any impairment to this value.

SQA Annual Report and Accounts 2009–10

Expenditure on capitalised property, plant and equipment during the period totalled £2.2m. This was primarily used to purchase IT equipment (£0.3m) and to develop assets under construction (£1.7m).

Income

SQA income is generated from charging for the delivery of our products and services and some EU grant funding. Total income in 2009–10 of £46.6m was obtained, being entry charges (£37.2m), other income (£8.7m) and EU funding (£0.7m). Whilst, Scottish Vocational Qualifications income fell during the year, resulting from the economic downturn, entry charges from National Qualifications and Higher National Qualifications increased. The increased income from entry charges and retaining other income streams meant that SQA could continue to invest in the Scottish education system without increasing our reliance on grant-in-aid.

Expenditure

Operational costs were £63.1m, being staff costs (£24.5m), other expenditures (£36.0m) and depreciation (£2.6m). Staff costs increased from the previous year as a result of the pay award and movement in staff numbers. Depreciation fell due to the writing-down of older assets. And other expenditures increased as a result of increased grant funded activity. Further detail of these cost areas is given in the notes to the accounts.

Efficient government

SQA plans to make efficiency savings in line with or exceeding Scottish Government targets in each financial year. For the financial year 2009–10 SQA had a target of £700k of cumulative efficiency savings. SQA achieved cumulative efficiency savings of £994k in 2009–10. These savings have been achieved as a result of embedding a culture of efficiency across the organisation and not as a result of individual efficiency programmes. Areas where efficiency savings have been realised include retendering of contracts and bringing services in house such as conferences, printing and staff training. No reductions in outputs or quality of service have been made as a result of making efficiency savings.

Payments to suppliers

In order to meet the 10 day payment cycle introduced by the Government during 2008–09, SQA aim to pay suppliers within 10 days of receipt of a valid invoice. Our performance against this aim during 2008–09 was 58% for December 08 to March 09 and an improvement target for 2009–10 was therefore set at 65%. As a result of process changes made this objective was exceeded, with 84% of suppliers being paid within 10 days during 2009–10.

12 Independent auditor's report

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

I have audited the financial statements of the Scottish Qualifications Authority for the year ended 31 March 2010 under the Education (Scotland) Act 1996. These comprise the Net Expenditure Account, Statement of Financial Position, Statement of Cash Flows, Statement of changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 123 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.

Respective responsibilities of the Board, Accountable Officer and auditor

The Board and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the sections, Who we are and what we do, Our operating environment, How we operate, SQA's goals for 2009–10, Management commentary, Performance measures and The future included in the Annual Report are consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Statement, the Management Commentary section and that part of the Remuneration Report that has not been audited. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Financial statements

In my opinion

- ◆ the 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 affairs of Scottish Qualifications Authority as at 31 March 2010 and of the excess of expenditure over income, changes in taxpayers' equity and cash flows for the year then ended
- ◆ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers

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- ◆ information which comprises the Who we are and What we do, Our operating environment, How we operate, SQA's goals for 2009–10, Management commentary, Performance measures and The future, included in the Annual Report, is consistent with the financial statements.

Regularity

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

Signature:

David Jamieson CPFA

Senior Audit Manager

Audit Scotland

7th floor, Plaza Tower

EAST KILBRIDE

G74 1LW

Date:

13 Accounts 2009–10

Net expenditure account

for the year ended 31 March 2010

	Note	2009–10 £'000	2008–09 £'000
Expenditure			
Staff costs	4	24,545	21,429
Depreciation and impairment charges	10(iii)	2,627	2,809
Other expenditures	5	35,955	34,256
		63,127	58,494
Income			
Entry charges	6	37,249	35,980
EU funding	7	686	330
Other income	8	8,700	8,640
		46,635	44,950
Net expenditure		(16,492)	(13,544)
Interest payable	9	(931)	(518)
Add back notional cost of capital	1.15	718	911
Net expenditure after interest		(16,705)	(13,151)

The notes on pages 46 to 69 form part of these accounts.

Statement of financial position

as at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Non-current assets				
Property, plant and equipment	10	8,382	8,226	9,054
Intangible assets	11	656	1,064	1,903
Financial assets	13	361	536	544
Defined benefit asset	4	-	-	4,405
Total non-current assets		9,399	9,826	15,906
Current assets				
Financial assets	13	200	-	-
Trade and other receivables	14	15,895	14,035	13,038
Cash and cash equivalents	15	-	-	-
Total current assets		16,095	14,035	13,038
Total assets		25,494	23,861	28,944
Current liabilities				
Trade and other payables	16	(11,121)	(9,879)	(10,102)
Total current liabilities		(11,121)	(9,879)	(10,102)
Non-current assets plus net current assets		14,373	13,982	18,842
Non-current liabilities				
Provisions	17	(378)	(413)	(380)
Defined benefit liability	4	(17,101)	(709)	-
Total non-current liabilities		(17,479)	(1,122)	(380)
Assets less liabilities		(3,106)	12,860	18,462
Taxpayers' equity				
Capital grant reserve		3,470	3,428	4,536
Revaluation reserve		2,803	3,415	4,027
General fund		(9,379)	6,017	9,899
Total taxpayers' equity		(3,106)	12,860	18,462

The financial statements were approved by the Board of Management on 18 August 2010 and were signed on its behalf by:

Dr Janet Brown
Accountable Officer and Chief Executive
18 August 2010

The notes on pages 46 to 69 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2010

	Note	2009–10 £'000	2008–09 £'000
Cash flows from operating activities			
Net expenditure after interest		(16,705)	(13,151)
Adjustments for non-cash items			
Depreciation		2,627	2,809
Loss on disposal of intangible asset		-	4
Movements in working capital			
Increase in trade and other receivables		(1,860)	(997)
Increase / (decrease) in trade and other payables		1,242	(223)
Movements in provisions and long-term liabilities			
(Decrease) / increase of provisions		(35)	33
Decrease in defined benefit liability cost		(441)	(1,396)
Net cash outflow from operating activities		(15,172)	(12,921)
Cash flows from investing activities			
Purchase of intangible assets		(442)	(158)
Purchase of property, plant and equipment		(1,819)	(861)
Receipts from funds transfer		-	2
Proceeds from sale of assets		(25)	-
Net cash outflow from investing activities		(2,286)	(1,017)
Cash flows from financing activities			
Additional funding from Scottish Government	18	8,976	9,158
Government funding	18	7,464	4,673
Capital funding	18	1,018	107
Net financing		17,458	13,938
Net (decrease) in cash and cash equivalents in the period		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

The notes on pages 46 to 69 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2010

	Note	Capital Grant Reserve £'000	Revaluation Reserves £'000	General Fund £'000	Total Reserves £'000
Balance at 31 March 2008		4,536	4,027	9,899	18,462
Changes in taxpayers' equity for 2008-09					
Net gain on revaluation of property, plant and equipment	10(i)	-	127	-	127
Net (loss) on revaluation of investments	13(i)	-	(6)	-	(6)
Release of reserves to the General fund		(1,215)	(733)	1,948	-
Actuarial loss	4	-	-	(6,527)	(6,527)
Unfunded benefits paid		-	-	17	17
Net expenditure after interest		-	-	(13,151)	(13,151)
Total recognised income and expense for 2008-09		(1,215)	(612)	(17,713)	(19,540)
Scottish Government funding	18	107	-	13,831	13,938
Balance at 31 March 2009		3,428	3,415	6,017	12,860
Changes in taxpayers' equity for 2009–10					
Net gain on revaluation of property, plant and equipment	10(i)	-	178	-	178
Net gain on revaluation of investments	13(i)	-	26	-	26
Release of reserves to the General fund		(886)	(816)	1,702	-
Reserve written off to Net Expenditure Account		(90)	-	-	(90)
Actuarial loss	4	-	-	(16,847)	(16,847)
Unfunded benefits paid		-	-	14	14
Net expenditure after interest		-	-	(16,705)	(16,705)
Total recognised income and expense for 2009–10		(976)	(612)	(31,836)	(33,424)
Scottish Government funding	18	1,018	-	16,440	17,458
Balance at 31 March 2010		3,470	2,803	(9,379)	(3,106)

The notes on pages 46 to 69 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009–10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2009–10 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 property, plant and equipment, intangible assets and, where material, current asset investments to fair value as determined by the relevant accounting standard.

1.2 Going concern

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 4 to the accounts. This reflects the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SQA. Hymans Robertson, the actuary to the pension scheme who has collated the information from the various Local Government Pension Scheme (LGPS) funds in which SQA participates, has calculated the liability arising under IAS 19. The actuary to each of the LGPS funds in which SQA participates conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2008 and the next formal valuation is due at 31 March 2011. In preparing the projected pension expense for the year to 31 March 2010, 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.

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.

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.

1.3 Property, plant and equipment

The feuhold land and building is the subject of a quinquennial professional valuation in accordance with International Accounting Standard 16. This is supplemented by annual indexation between professional valuations. It was last valued as at 31 March 2008 by GVA Grimley LLP, an independent valuer, on the under noted basis in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

The feuhold land and building is regarded by SQA as operational and has been stated at fair value, based on value in use, on the assumption that in the building's current configuration it is unlikely that a suitable tenant / owner occupier would be found if it became vacant.

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

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

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

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

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

The threshold for capitalising assets is £3,000.

1.4 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:

Feuhold land	Not depreciated
Feuhold building	15 years
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 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 Realised element on depreciation of revaluation reserve

Depreciation is charged to the Net Expenditure Account on the revalued amount of the relevant assets. An element of the depreciation arises from the increase in valuation and is in excess of the depreciation that would be charged on the historic cost of the relevant assets. The amount relating to this excess is the realised gain on revaluation and is transferred from the revaluation reserve to the general fund.

1.7 Investments

An investment in a joint venture company is held on the balance sheet at cost. Consolidated accounts have not been prepared as the joint venture ceased trading at 31 March 2009 and will be wound up during the course of 2010–11.

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 Net Expenditure Account.

1.8 Income recognition

Income from entry charges is recognised as follows:

Externally assessed awards: income is recognised on completion of the Course, and any income charged in advance is released to the Net Expenditure Account in the financial year during which the Course is completed.

Internally assessed awards: income is recognised proportionately over the average duration of the Course, except for National Courses where it is based on the level of verification carried out.

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Income from awards containing both externally and internally assessed Units is split and the components recognised as above. Other income is recognised in the period to which it relates.

1.9 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 Net Expenditure Account.

1.10 Leases

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

There are no assets held under finance leases.

1.11 Financial instruments

Financial instruments are recognised in the Statement of Financial Position when an obligation is identified and released as that obligation is fulfilled. Cash, debtors and creditors are held at cost. Measurement of investments is discussed above (see note 1.7). 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 Net Expenditure Account. Due to the low value of balances held in these accounts there is no significant currency risk to SQA.

1.12 Grants receivable

Government grants of a revenue nature are credited to the general fund in the year to which they relate. Grants to fund capital expenditure are credited to the capital grant reserve and released to the Net Expenditure Account over the useful lives of the assets funded.

1.13 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.

1.14 VAT

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

1.15 Capital charge

A notional charge to bring interest payable up to a 3.5% (2009: 3.5%) return on capital employed has been included in these accounts. SQA's entry charges and other charges do not include amounts to cover notional interest. This is not in strict accordance with Government guidance in the *Fees and Charges Guide*. As SQA's charges are paid predominantly by other public sector bodies, and do not distort competition, the Scottish Government has indicated that it is content with this basis.

1.16 Pensions

All eligible employees are entitled to membership of the Local Government Superannuation Scheme (LGSS). Existing employees who are already members of the Scottish Government Teachers' Superannuation Scheme (TSS) are entitled to maintain their membership of that scheme. Employer's contributions to the TSS are accounted for as they fall due. Employer's contributions to the LGSS are accounted for under the requirements of IAS 19 — Employee Benefits (see note 4).

1.17 Changes in accounting policy

These financial statements have been prepared under International Financial Reporting Standards for the first time and the comparatives have been restated from UK Generally Accepted Accounting Policy (UK GAAP) where required.

1.18 Changes in estimation techniques

There have been no material changes in estimation techniques which were introduced in 2009–10.

2 First-time adoption of IFRS

	General Fund £'000	Revaluation Reserve £'000	Capital Grant Reserve £'000
Taxpayers' equity at 31 March 2008 under UK GAAP	10,430	4,027	4,536
Adjustments for:			
IAS 19: Employee Benefits	(531)	-	-
Taxpayers' equity at 1 April 2008 under IFRS	9,899	4,027	4,536
Taxpayers' equity at 31 March 2009 under UK GAAP	6,560	3,415	3,428
Adjustments for:			
IAS 19: Employee Benefits	(543)	-	-
Taxpayers' equity at 1 April 2009 under IFRS	6,017	3,415	3,428
			£'000
Net expenditure for 2008–09 under UK GAAP			(13,139)
Adjustments for:			
IAS 19: Employee Benefits			(12)
Net expenditure for 2008–09 under IFRS			(13,151)

The only adjustment required to SQA's annual accounts in moving from UK GAAP to IFRS is in respect of employee benefits. Under IAS 19, SQA is required to recognise its liability for holiday pay, flexi time and staff bonuses owing to employees at 31 March 2010.

3 Analysis of net expenditure by segment

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

Awarding and related activities

SQA's principal activity is awarding, maintaining and developing qualifications within the Scottish Credit and Qualifications Framework. The level of entry charges are agreed by the Scottish Ministers each year after. 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.

5–14 Assessment Programme

The 5–14 Assessment Programme 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	5–14 Assessment Programme £'000	Total £'000
2010				
Staff costs	23,562	904	79	24,545
Other expenditures	35,314	293	348	35,955
Depreciation	2,627	-	-	2,627
Total expenditure	61,503	1,197	427	63,127
Entry charges	37,249	-		37,249
EU funding	686	-		686
Other income	8,700	-		8,700
Scottish Government funding	14,812	1,200	428	16,440
	61,447	1,200	428	63,075
Funding credited to reserves	(14,812)	(1,200)	(428)	(16,440)
Total income	46,635	-	-	46,635
Net expenditure	(14,868)	(1,197)	(427)	(16,492)

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	Awarding and related activities £'000	Accreditation £'000	5–14 Assessment Programme £'000	Total £'000
2009				
Staff costs	20,541	823	65	21,429
Other expenditures	33,460	433	363	34,256
Depreciation	2,809	-	-	2,809
Total Expenditure	56,810	1,256	428	58,494
Entry charges	35,980	-	-	35,980
EU funding	330	-	-	330
Other income	8,640	-	-	8,640
Scottish Government funding	12,136	1,267	428	13,831
	57,086	1,267	428	58,781
Funding credited to reserves	(12,136)	(1,267)	(428)	(13,831)
Total income	44,950	-	-	44,950
Net expenditure	(11,860)	(1,256)	(428)	(13,544)

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.

4 Staff numbers and related costs

Staff costs comprise:

	2009–10 Total	Permanently employed staff	Others	2008-09 Total
	£'000	£'000	£'000	£'000
Wages and salaries	21,012	19,154	1,858	18,862
Social security costs	1,380	1,380	-	1,253
Other pension costs	2,295	2,295	-	1,455
Severance and compensation	-	-	-	47
Sub total	24,687	22,829	1,858	21,617
Less recoveries in respect of outward secondments	(142)	(142)	-	(188)
Total net costs	24,545	22,687	1,858	21,429

The Local Government Superannuation Scheme (LGSS) is a group defined benefit scheme covering employees of the former Strathclyde Regional Council and other admitted bodies. Responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The Teachers Superannuation Scheme (TSS) 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 £2,769,000 (2009: £2,408,000), consisting of £2,640,000 (2009: £2,273,000) to the LGSS Scheme and £129,000 (2009: £135,000) to the TSS Scheme. Included within other payables (note 16) are outstanding contributions of £327,000 (2009: £245,000) due to the LGSS Scheme and £nil (2009: £15,000) due to the TSS Scheme at 31 March 2010.

Actuarial valuations for both schemes are prepared, with the last LGSS valuation to 2008 and the last TSS valuation being to 2005. Details of these valuations can be obtained from published reports.

The TSS is treated as a defined contribution scheme within these financial statements as the Scottish Public Pensions Agency is unable to provide information to enable SQA to identify its share of the liabilities of the TSS at 31 March 2010. The results of the 2005 valuation have been rolled forward to give a liability of £19.33 billion at 31 March 2008. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates are set by the scheme actuary at a level to meet the cost of pensions as they accrue.

The SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGSS, based on the 2008 valuation, has set rates based on employees' salaries at 17.3% for 2009–10 and 18.2% for 2010–11. The TSS has set rates at 14.9% for 2009–10 and 2010–11.

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

The amounts recognised in the Net Expenditure Account are as follows:

	2009–10	2008–09
	£'000	£'000
Current service cost	1,606	1,756
Interest on obligation	3,145	3,387
Expected return on plan assets	(2,938)	(3,831)
Past service cost	403	58
Losses on curtailments and settlements	-	64
	<hr/>	<hr/>
	2,216	1,434

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

	2009–10	2008–09	2007–08
	£'000	£'000	£'000
Present value of funded obligations	(80,198)	(44,512)	(48,296)
Fair value of employer assets	63,374	44,039	52,921
	<hr/>	<hr/>	<hr/>
Net (under) funding/funding in funded plans	(16,824)	(473)	4,625
Present value of unfunded obligations	(277)	(236)	(220)
	<hr/>	<hr/>	<hr/>
Net (liability)/asset	(17,101)	(709)	4,405
Amounts in the balance sheet:			
Defined benefit liability	(17,101)	(709)	-
Defined benefit asset	-	-	4,405
	<hr/>	<hr/>	<hr/>
Net (liability)/asset	(17,101)	(709)	4,405

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

	2009–10	2008–09
	£'000	£'000
Actuarial (loss)/gain arising on the defined benefit obligation	(30,876)	8,374
Actuarial gain/(loss) arising on the fair value of the plan assets	14,029	(14,901)
	<hr/>	<hr/>
Actuarial loss recognised in the Statement of Changes in Reserves	(16,847)	(6,527)

Average number of persons employed

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

	2009–10 Total	Permanent staff	Others	2008–09 Total
Awarding and related activities	704	605	99	687
Accreditation	25	24	1	22
5–14 Assessment Programme	8	7	1	9
Total	737	636	101	718

5 Other expenditures

	2009–10	2008-09
	£'000	£'000
Appointee fees	11,780	11,858
Business development specialists' fees and expenses	5,391	5,702
Property expenses	3,694	3,901
IT costs	2,540	1,749
PR, marketing and publications	2,237	1,517
Appointee expenses and related costs	2,193	2,209
Staff travel	839	805
Staff subsistence	281	179
Catering for internal and examination procedures meetings	83	189
Staff training	355	407
Miscellaneous staff costs	313	664
Staff related costs	1,871	2,244
Assessment stationery and certificates	1,535	953
Postage and telephone	1,477	1,534
Appointee release compensation	1,288	1,538
Equipment and supplies	807	946
Miscellaneous	583	(519)
Question paper production and printing	471	509
Board and committee expenses	88	115
	<u>35,955</u>	<u>34,256</u>

6 Entry charges

	2009–10	2008-09
	£'000	£'000
National Qualifications:		
National Courses and Units	20,309	18,274
SCE Standard Grade	10,428	10,982
Late appeal charges	62	35
	<u>30,799</u>	<u>29,291</u>
Higher National Qualifications	4,220	4,095
Scottish Vocational Qualifications	2,230	2,594
	<u>37,249</u>	<u>35,980</u>

7 EU funding

	2009–10 £'000	2008-09 £'000
European Social Fund	686	294
English for Speakers of Other Languages	-	36
	<hr/> 686	<hr/> 330

8 Other income

Commercial testing services	3,694	3,259
Consultancy, secondments and research	1,952	2,799
Gift aid from joint venture	820	513
Commercial events	681	236
Streetworks Qualifications Register	497	517
Royalty income	337	343
Miscellaneous income	274	118
Replacement certificate charges	229	319
Customised award charges	153	208
Sale of publications	51	56
Income from investments for unfunded pensions	8	8
Other interest income	4	264
	<hr/> 8,700	<hr/> 8,640

9 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(6)	(51)
Pension provision (cost) / credit	(207)	444
Notional interest on capital employed at 3.5%	(718)	(911)
	<hr/> (931)	<hr/> (518)

10 Property, plant and equipment

(i)	Feuhold land £'000	Feuhold building £'000	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
Cost or valuation									
At 1 April 2009	537	4,263	3,085	3,369	73	956	419	1,065	13,767
Additions	-	-	89	312	60	75	-	1,700	2,236
Reclassifications	-	-	-	163	-	-	-	(554)	(391)
Disposals	-	-	-	-	(61)	-	-	(90)	(151)
Revaluations	25	247	-	-	-	-	-	-	272
At 31 March 2010	562	4,510	3,174	3,844	72	1,031	419	2,121	15,733
Depreciation									
At 1 April 2009	-	983	653	2,707	73	749	376	-	5,541
Charged in year	-	893	203	454	1	183	43	-	1,777
Disposals	-	-	-	-	(61)	-	-	-	(61)
Revaluations	-	94	-	-	-	-	-	-	94
At 31 March 2010	-	1,970	856	3,161	13	932	419	-	7,351
Net book value									
At 31 March 2010	562	2,540	2,318	683	59	99	-	2,121	8,382
At 31 March 2009	537	3,280	2,432	662	-	207	43	1,065	8,226
Asset financing:									
Owned	562	2,540	2,318	683	59	99	-	2,121	8,382
Finance lease	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2010	562	2,540	2,318	683	59	99	-	2,121	8,382

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	Feuhold land £'000	Feuhold building £'000	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under const-ruccion £'000	Total £'000
Cost or valuation									
At 1 April 2008	525	4,148	3,085	3,486	73	1,007	419	416	13,159
Additions	-	-	-	212	-	-	-	742	954
Reclassifications	-	-	-	-	-	-	-	(93)	(93)
Disposals	-	-	-	(329)	-	(51)	-	-	(380)
Revaluations	12	115	-	-	-	-	-	-	127
At 31 March 2009	537	4,263	3,085	3,369	73	956	419	1,065	13,767
Depreciation									
At 1 April 2008	-	173	450	2,477	58	620	327	-	4,105
Charged in year	-	810	203	559	15	180	49	-	1,816
Disposals	-	-	-	(329)	-	(51)	-	-	(380)
Revaluations	-	-	-	-	-	-	-	-	-
At 31 March 2009	-	983	653	2,707	73	749	376	-	5,541
Net book value									
At 31 March 2009	537	3,280	2,432	662	-	207	43	1,065	8,226
At 31 March 2008	525	3,975	2,635	1,009	15	387	92	416	9,054
Asset financing:									
Owned	537	3,280	2,432	662	-	207	43	1,065	8,226
Finance lease	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2009	537	3,280	2,432	662	-	207	43	1,065	8,226

(ii) Revaluations

SQA's premises at Ironmills Road, Dalkeith was valued as at 31 March 2008 on an existing use basis by GVA Grimley LLP, an independent valuer, as follows:

	£'000
Land	525
Buildings	3,975
Existing use value	<u>4,500</u>
Market value	<u>2,500</u>

The difference between the existing use value and market value of Dalkeith is due to the fact that the property in Dalkeith was originally designed to meet SQA's operational requirements. It is unlikely that in its current configuration, a suitable tenant / owner occupier would be found if the property became vacant.

As detailed in section 5 of the annual report the Scottish Government announced on 1 March 2010 that SQA's Midlothian operations will be moving to a new-build facility at Shawfair Park, near Dalkeith. The value of the feuhold land and building will be directly impacted by the decision to relocate. However, it is felt that the carrying value of £3.1m at 31 March 2010 is a reasonable estimate of market value and subsequently, it is not considered that there is a need for any impairment to this value.

(iii) Depreciation and impairment charges

	Note	2009–10 £'000	2008-09 £'000
Depreciation charge for the year	10(i)	1,777	1,816
Amortisation charge for the year	11	850	993
Impairment charge		-	-
Total charge for the year		<u>2,627</u>	<u>2,809</u>

11 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
Cost or valuation				
At 1 April 2009	164	1,193	4,777	6,134
Additions	-	7	44	51
Reclassifications	-	183	208	391
Disposals	-	-	-	-
At 31 March 2010	164	1,383	5,029	6,576
Amortisation				
At 1 April 2009	121	860	4,089	5,070
Charged in year	25	267	558	850
Disposals	-	-	-	-
At 31 March 2010	146	1,127	4,647	5,920
Net book value				
At 31 March 2010	18	256	382	656
At 31 March 2009	43	333	688	1,064
Internally generated	-	-	-	-
Other	18	256	382	656
	18	256	382	656

	Web costs £'000	Licences £'000	Software £'000	Total £'000
Cost or valuation				
At 1 April 2008	164	1,228	4,822	6,214
Additions	-	-	65	65
Reclassifications	-	-	93	93
Disposals	-	(35)	(203)	(238)
At 31 March 2009	164	1,193	4,777	6,134
Amortisation				
At 1 April 2008	95	606	3,610	4,311
Charged in year	26	285	682	993
Disposals	-	(31)	(203)	(234)
At 31 March 2009	121	860	4,089	5,070
Net book value				
At 31 March 2009	43	333	688	1,064
At 31 March 2008	69	622	1,212	1,903
Internally generated	-	-	-	-
Other	43	333	688	1,064
	43	333	688	1,064

12 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 the SQA's expected purchase and usage requirements and SQA is therefore exposed to little credit, liquidity or market risk.

13 Financial assets

	Note	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Non-current assets				
Investment in Awards UK Ltd		-	200	200
Investments for unfunded pensions	13(i)	361	336	344
		<hr/>	<hr/>	<hr/>
		361	536	544
Current assets				
Investment in Awards UK Ltd	13(ii)	200	-	-
		<hr/>	<hr/>	<hr/>
		200	-	-

(i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2008	341	3	344
Additions	-	8	8
Disposals	-	(10)	(10)
Revaluation	(6)	-	(6)
	<hr/>	<hr/>	<hr/>
Market value at 31 March 2009	335	1	336
Additions	-	8	8
Disposals	-	(9)	(9)
Revaluation	26	-	26
	<hr/>	<hr/>	<hr/>
Market value at 31 March 2010	361	-	361

(ii) Awards UK Limited

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

Awards UK Limited ceased trading at 31 March 2009 on the agreement of both parties. Whilst the company was not actively trading during 09–10 a liquidator was not appointed to allow time to collect the outstanding debt. In the year to 31 March 2010, the management accounts of Awards UK Limited show a loss of £69,000 after earning income of £12,000 and incurring costs of £81,000. A liquidator will be appointed and the company wound up during the course of 2010–11. As a result, consolidated accounts under IFRS have not been prepared.

14 Trade and other receivables

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
Trade receivables	3,664	2,655	2,552
Amounts owed by Awards UK Limited	-	39	53
Other receivables	29	28	34
Prepayments and accrued income	12,202	11,313	10,399
	15,895	14,035	13,038

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

Other central government bodies	10	-	150
Local authorities	41	97	91
NHS trusts	-	1	9
	51	98	250

Included within trade receivables is a bad debt provision of £50,000 (31 March 2009: £80,000, 1 April 2008: £157,000). During the year £19,000 of bad debt was written off (2009: £18,000).

Included within other receivables are loans to staff amounting to £24,000 (31 March 2009: £28,000, 1 April 2008: £33,000).

15 Cash and cash equivalents

	£'000
Balance at 1 April 2008	-
Net change in cash and cash equivalent balances	-
Balance at 31 March 2009	-
Net change in cash and cash equivalent balances	-
Balance at 31 March 2010	-

The following balances at were held at:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Commercial banks and cash in hand	-	-	-
Short term investments	-	-	-
	-	-	-

16 Trade and other payables

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
VAT	10	6	15
Other taxation and social security	2,736	2,666	2,895
Trade payables	2,153	1,058	289
Other payables	370	314	328
Accruals and deferred income	5,852	5,835	6,575
	11,121	9,879	10,102

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

Local authorities	2	10	15
	2	10	15

17 Provisions for liabilities and charges

	SQA unfunded pensions £'000
Balance at 1 April 2008	380
Provided in the year	21
Provisions not required written back	-
Provisions utilised in the year	(17)
Unwinding of discount	29
	<hr/>
Balance at 31 March 2009	413
Provisions not required written back	(26)
Provisions utilised in the year	(15)
Unwinding of discount	6
	<hr/>
Balance at 31 March 2010	<u>378</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.

18 Government funding

	2009–10 £'000	2008-09 £'000
Scottish Government 5–14 Programme	428	428
Scottish Government accreditation	1,200	1,267
Scottish Government development	5,836	2,978
	<hr/>	<hr/>
	7,464	4,673
Total additional funding received	9,994	9,265
Additional funding credited to capital grant reserve	(1,018)	(107)
	<hr/>	<hr/>
	<u>16,440</u>	<u>13,831</u>

19 Commitments under leases

Operating leases

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

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Obligations under operating lease comprise:			
Land and buildings:			
Not later than one year	-	24	-
Later than one year but not later than five years	24	-	24
Later than five years	1,149	1,149	1,149
	<hr/> 1,173	<hr/> 1,173	<hr/> 1,173
Other:			
Not later than one year	-	204	183
Later than one year but not later than five years	-	-	21
Later than five years	-	-	-
	<hr/> -	<hr/> 204	<hr/> 204

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 cost of the Optima rent included in property expenses (note 5) and the notional refund included in government funding.

Finance leases

There are no finance leases in operation.

20 Contingent liabilities

There were no material contingent liabilities at 31 March 2009 (2008: £nil).

21 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.

22 Related-party transactions

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

The SGLD is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, there were no balances outstanding (2009: £nil). In addition, SQA has had material transactions with the Scottish Government Lifelong Learning Directorate (SGLLD). At the year end, there were no balances outstanding (2009: £nil).

During the year SQA made cost recharges and sold goods and services in the ordinary course of business totalling £68,000 (2009: £415,000) to Awards UK Limited, a 50% owned joint venture company (see note 13). Amounts outstanding at the year end are disclosed separately (see note 14). SQA Director, John McDonald, holds the position of board member there.

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	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Cardonald College SQA Board Member, Susan Walsh, holds the position of Principal at Cardonald College	166	310	20	42	8	-
Jewel and Esk College Former SQA Director, Ron Sylvester, holds a position on the Board of Management at Jewel and Esk College	122	247	1	3	1	4
Scotland's Colleges SQA Board Member, Susan Walsh, holds the position of a Lead Principal for Scotland's Colleges	-	-	170	21	-	(6)
Stevenson College SQA Director, Maidie Cahill, holds the positions of Board Member and Vice-Chair at Stevenson College	156	193	78	53	2	2
Stirling Council SQA Chairman, Graham Houston, is a councillor with Stirling Council	480	457	-	-	-	-

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SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: the Association of Scotland's Colleges; Scottish Ministers; and 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. There were no transactions between the SCQF Partnership and SQA during the year.

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



SCOTTISH QUALIFICATIONS AUTHORITY

DIRECTION BY THE SCOTTISH MINISTERS

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

A handwritten signature in cursive script, appearing to read 'Christine Curran'.

Signed by the authority of the Scottish Ministers

Dated 3/ January 2006