Annual Report and Accounts 2010–11

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Chairman's statement

I am pleased to introduce the Scottish Qualifications Authority (SQA)'s Annual Report and Accounts for 2010–11.

This year, the Minister for Skills and Lifelong Learning challenged the organisation to continue its focus on the development and delivery of qualifications that will provide knowledge and skills to help drive Scotland's economic recovery. It is important that we continue our contribution to the implementation of the refreshed skills strategy, and that we do so through effective partnerships within the changing skills landscape.

This report demonstrates how much reliance we place on partnership working to ensure our qualifications meet the needs of individuals and employers, particularly at this vital stage as we take forward our part of the Curriculum for Excellence programme. I have been greatly impressed by the efforts of our staff and appointees in ensuring that the qualifications achieved by learners in Scotland continue to have worldwide credibility built on high standards.

The Board has been leading SQA's response to the major financial challenges we share with our partners across Scotland's education and skills landscape. Our priority is to ensure that our work is not compromised, and that we continue to fulfil our responsibilities as Scotland's national awarding and accreditation body.

Graham Houston
Chairman
Scottish Qualifications Authority
29 November 2011

Chief Executive's statement

In a busy year, this report highlights SQA's work to ensure our support for the refreshed Skills Strategy — Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth — and to provide a service for Scotland that enables learning and progression across the breadth and depth of the Scottish Credit and Qualifications Framework (SCQF).

We have continued to deliver our commitments to ensure that high quality qualifications are in place to support Curriculum for Excellence implementation, and to apply good practice from their development more widely across our portfolio. Another major focus for this year across both our awarding and accreditation functions has been our work with partners to support economic recovery, by ensuring that employers and individuals can access the skills and learning they, and Scotland's economy, need.

This report also highlights some of our efforts to seek innovative and efficient ways of working, knowing that this is becoming ever more important in the difficult times ahead for public service finances. We recognise these challenges, and continue to pursue other sources of income where appropriate, including from wider markets, to ensure sustainable investment in Scotland's qualifications.

The report illustrates the broad range of SQA's portfolio of activity over 2010–11 linked by our support for the Scottish Government's purpose and national outcomes. I would like to thank our staff, appointees and partners for their valuable contributions over this year. I look forward to working together again going forward to develop solutions to the challenges ahead.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority
29 November 2011

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1 Introducing SQA

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

The core purpose of SQA is to set and maintain standards in education and training through the qualifications and assessment it provides that are delivered in schools, in colleges, and in workplace learning. In addition, SQA's 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. In addition, SQA develops Customised Awards that are tailored to the requirements of particular employers, and provides English Language qualifications for learners whose first language is not English.

Almost all young people in Scotland gain SQA qualifications in secondary school and/or in further education colleges. Increasingly, SQA provides qualifications from junior to professional levels in the workplace. SQA aims to ensure that all

qualifications are developed and maintained to the same rigorous high standards, and that they all make valuable and unique contributions to Scotland's Skills Strategy.

SQA Accreditation

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

You can read more about qualifications developments and SQA's work in accreditation in 2010–11 in the Management Commentary.

2 SQA's operating environment

Many of the developments in the world of education, training, and lifelong learning in 2010–11 have been shaped by the challenging economic environment and its impact on Scotland's employers and individuals. Dealing with the effects of economic downturn and supporting the recovery has been a theme in the work of government, SQA, and many of its partner agencies and organisations. SQA continues to ensure that it is in a strong position to work with 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 Scotland's needs.

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

Supporting sustainable economic growth

SQA supports sustainable economic growth in a number of ways. SQA works in close partnership with sector skills councils, employers, industry, colleges and other key agencies to ensure that it develops qualifications that are needed for economic growth. SQA also aligns its qualification development plans to priority sectors identified by the Scottish Government, such as energy, tourism and creative industries. This enhances the skills and opportunities for the current and future workforce, and meets the needs of employers in these sectors. In addition to developing qualifications for specific sectors, SQA recognises the need for wider, generic skills, such as employability and enterprise, by either embedding these within qualifications or designing stand-alone qualifications. Finally, in all qualification development, SQA seeks to promote: lifelong learning; progression and articulation routes to employment and further study; choice; and flexibility. In this way learners have the opportunity to acquire new skills, re-skill or up-skill, and thereby adapt and contribute to a growing economy.

Focus on efficiency, economy and effectiveness

SQA is committed to delivering efficiencies and best use of resources across all aspects of the organisation. The SQA Corporate Plan includes actions aimed at generating surpluses from some aspects of SQA's activity — for example, work in international markets — and using those to reinvest in the products and services provided for Scotland. SQA also continues to review its processes to identify opportunities to improve quality and efficiency. SQA's Strategic Goals 6, 7 and 8 highlight the organisation's commitment to providing leadership in public services by exploring new ways of working and sharing good practice with other organisations within Scotland and beyond:

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

Goal 7: Continue to develop and establish SQA as a leading public body.

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

The Management Commentary in Section 5 of this report highlights some examples of SQA's work to ensure a continued focus on efficiency, effectiveness and value for money across the organisation. These include:

- initiating the formation of a Labour Market Intelligence forum to share good practice across Scotland's skills landscape
- SQA Accreditation streamlining processes, exploring alternative models of regulation and working with other UK regulators to develop common conditions
- introduction of the SQA Connect online portal for centres offering access to the National Assessment Resource, and online registrations, entries and Unit results
- transfer of appointee and appointment-related centre correspondence to electronic format where appropriate
- work towards e-marking and increasing use of technology in delivering assessment
- review of processes for handling complaints and feedback
- SQA's Partnership Group working with the Executive Team to propose policy changes to address the challenging funding environment including methods to create a more flexible workforce and a Voluntary Early Release scheme

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

- Shared facilities management services (cleaning, security, mail, print and light maintenance) linked to SQA's co-location with Learning and Teaching Scotland (LTS) in the Optima building in 2005.
- Partnerships with centres, public bodies and other organisations to plan and deliver qualifications developments such as new National Qualifications linked to the Curriculum for Excellence (CfE) and the National Qualifications Group Award development programme working with Scotland's Colleges.
- Active participation in benchmarking exercises led by Scottish Government for corporate services.
- Supporting another organisation in HR activities, for which SQA received a fee, in order to promote efficiency across public bodies.

Some of the wide range of work SQA is involved in is highlighted later in this report, while you can keep up to date on SQA's activities throughout the year by subscribing to the monthly e-zine, Connecting with SQA.

3 How SQA operates

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

SQA works with colleagues in the Learning and the Lifelong Learning Directorates of the Scottish Government to develop its objectives (which are approved by 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 striven to embed efficiency and make best use of public resources across all aspects of its business.

4 SQA's goals for 2010–11

SQA's Corporate Plan 2010–13 sets SQA's strategic direction for the next three years. It covers both SQA's accreditation and awarding functions. It links the organisation's strategic goals to the Scottish Government's National Outcomes.

The strategic goals were also driven by the SQA Board of Management's assessment of the environment in which SQA operates, taking account of SQA's recent progress. You can read more about SQA's response to the drivers in its operating environment in the Management Commentary for 2010–11.

The strategic drivers that were identified when developing the Corporate Plan 2010–13 include:

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

For 2010–13, 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: Be regarded as a leader in assessment and quality enhancement of learning in Scotland, and recognised worldwide.

Goal 3: Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement.

Goal 4: Enhance the role of qualifications and services in recognising the skills of individuals across the education and training system.

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

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

Goal 7: Continue to develop and establish SQA as a leading public body.

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

5 Management commentary

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

Qualifications development: Curriculum for Excellence

In June 2009, the Scottish Government announced changes to Scotland's National Qualifications. The next generation of qualifications are to be introduced from Session 2013–14. They will be designed to reflect the values, purposes and principles of Curriculum for Excellence and to foster skills for learning, skills for life and skills for work. The new qualifications will be at levels 4 and 5 in the Scottish Credit and Qualifications Framework (SCQF). They will be known as National 4 and National 5, and will replace Standard Grade General and Credit, and Intermediate 1 and 2 qualifications. Access, Higher and Advanced Higher qualifications will also be revised. The development of these new qualifications will ensure that there is good progression from the outcomes and experiences into the new qualifications.

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

The process of designing and developing the new qualifications for Curriculum for Excellence involves teams from across SQA, representatives from the teaching profession, from further and higher education, and from trade unions and professional organisations. The development process has included setting up externally nominated engagement groups and more targeted meetings with groups, organisations and individuals. Overall, more than 200 new Courses are being developed.

The development of new National Qualifications to support the introduction of Curriculum for Excellence has been supported by new policies and guidance to support CfE aims, values and purposes.

Extensive research by SQA from 2005 onwards, including international comparisons, primary and secondary research, and engagement with partners and primary stakeholders in schools and colleges, supported the principles underpinning the design and assessment of the new qualifications. These Design Principles were approved by the Curriculum for Excellence Management Board. This led to the publication of the Design Principles, which provide the blueprint for the new qualifications, in April 2010.

During 2010–11, engagement with stakeholders and partners informed the development of new policies and guidance to underpin the first phase of the qualifications development programme and to help development teams with their work on the design and assessment of new National Courses.

This includes policy and guidance on the Skills for Learning, Life and Work that learners will cover in the new qualifications, how SQA will ensure that assessment approaches are fit for purpose, and how learners might progress from one qualification to another.

Feedback from national CfE implementation events has been very supportive of the new policies and guidance and is informing further development.

Positive engagement with stakeholders is a crucial factor in ensuring the quality, acceptance and implementation of the next generation of qualifications. The process of developing qualifications is open and transparent, with key draft material being published on SQA's website, with proactive quality assurance built in.

Ten Curriculum Area Review Groups (CARGs) have been established — one for each curriculum area, plus groups for Literacy and Numeracy, and Access 1 and 2. These groups oversee the qualifications being developed in their area and provide a forum for considering the strategic issues and offering advice on the vision for the area, with particular reference to learning progression and skills development. Work on the development of qualifications within individual subjects is being taken forward by 42 Qualifications Design Teams (QDTs). Subject Working Groups (SWGs) carry out specific pieces of work as designated by the QDTs. Teachers and practitioners can nominate themselves to join these SWGs.

The Curriculum for Excellence qualifications development model is a hybrid of previous qualifications development models. Each stage in the development process informs the next, with draft material being published on SQA's website for engagement at each stage.

The QDTs are responsible for ensuring that each individual qualification is designed in line with government and SQA policy and the Design Principles.

SQA has quality assurance processes in place to ensure that the next generation of National Qualifications is fit for purpose. The QDTs' work is overseen by internal and external Review of Courses Co-ordination Groups (i-ROCCG and e-ROCCG respectively). The external review group involves senior representatives from the Curriculum for Excellence partners, and has a particular focus on strategic matters and issues of overall coherence, balance and consistency across qualifications and the broader CfE programme. The internal SQA review group has an on-going role in proactively monitoring quality assurance progress.

A key aim of the development process is to work collaboratively with practitioners to facilitate an early understanding of the requirements of individual Courses before the qualification specifications are formally published. Practitioners have been encouraged to subscribe to an update service for their subjects and to use a web-based comment/feedback service at www.sqa.org.uk/haveyoursay.

During 2010–11, draft Progress Reports, Overview of Qualifications Reports, Suites of Courses, and National 4 and National 5 Course Rationales and Summaries were published on SQA's website, in line with the agreed timelines. An overview of the delivery schedule for qualification development is available on the website.

Wider qualifications development: National Qualifications Group Awards Development Programme

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

During 2010–11, SQA worked with colleges across Scotland to develop National Certificates and NPAs both as specialist single centre and as specialist collaborative awards. In all, 36 colleges have been involved in these developments. SQA has also worked with Scotland's Colleges to support delivery of the qualifications.

At the end of March 2011, 30 specialist collaborative National Certificates and 19 NPAs were in development. A further four 'consortium-devised' National Certificates and eight NPAs were in development.

In total, by the end of March 2011, 50 National Certificates and 177 NPAs were available to centres.

Certification

One of SQA's primary responsibilities is the certification of National Qualifications (NQ) for candidates in schools and colleges across Scotland. SQA undertakes 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.

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

Progress is monitored 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 2010–11 performance targets. A total of 160,745 certificates were issued for delivery on 5 August 2010. Candidates were also given the opportunity to receive their results by e-mail and text.

SQA provided a telephone-based support line for Scotland's learners from 4–7 August 2010 to provide advice and deal with queries from candidates and parents following the issue of National Qualifications results. It worked closely with Skills Development Scotland to ensure that the support and advice offered to candidates was consistent.

The telephone lines opened on 4 August at 3pm and closed at 4pm on Saturday 7 August. This year the advice line received a total of 1,758 calls — 78% (1,379) of these were received on the day the paper results were delivered.

Certificates for Higher National and Vocational Qualifications are produced weekly, in line with agreed schedules. In 2010–11, 181,316 Higher National and Scottish Vocational Qualifications were certificated.

MySQA and smartphone app

MySQA is SQA's online service for candidates. It has been in existence since 2008. It allows any candidate with a valid Scottish Candidate Number (SCN) to register and view their qualification information online and, if taking NQ examinations, receive their results by e-mail and/or text message. From April to July 2010, MySQA was promoted to candidates through centres and a high-profile advertising campaign. On 4 August, the day before paper certificates were delivered by Royal Mail, 34,855 e-mails and 27,408 text messages giving exam results were sent to NQ candidates. A subsequent programme of evaluation research found that almost all respondents stated that the major benefit of the MySQA service is the ability to access their results anywhere.

To further engage with candidates, SQA created a mobile application (app) version of its exam timetable builder, providing an innovative and useful service to candidates that could also be used to promote the MySQA service and offer additional support during the exam diet. This mobile timetable builder app was launched in April 2010 and was promoted in the Your Exams publication, as well as in national press. Positively received, the app garnered significant use among candidates, providing interactive study guides, exam guidance, MySQA information and links, as well as customised timetable information.

The timetable builder app was downloaded on smartphones a total of 26,787 times during 2010's examination diet. The app was also shortlisted at heraldscotland.com's Digital Business Awards in the Public Sector category. Judges commented on the mobile phone app's simplicity and cross-telephone capability. As a result of the app's success, improvements were made to provide additional functionality for users, such as the ability to add notes to exam entries. Furthermore, a new app was scoped and put into development for 2011 to provide personal study plans for candidates.

E-marking

Having previously proven the benefits of e-marking and gained agreement that this should be the preferred mode of marking (where appropriate) in the future, the focus of work undertaken in 2010–11 was to identify potential e-marking solutions that would effectively support SQA's requirements, including the volume of marking.

SQA now has in place a five-year contract to provide e-marking services.

National Assessment Resource development

During 2010–11 SQA has continued to work with LTS and the Scottish Government on the development of the National Assessment Resource (NAR). The purpose of this development is to put in place a technical infrastructure that supports and facilitates the development of new approaches to assessment under Curriculum for Excellence. The development of NAR, which is funded by Scottish Government, began in 2009–10 and has throughout been a joint development.

NAR was launched at the Scottish Learning Festival in September 2010. Since this launch, interest in and use of NAR has grown steadily, with an average of over 6,500 unique visitors per month by the end of March 2011. It is populated with content developed with support from, and quality assured by, SQA, and content developed by local authorities that has been quality assured through processes overseen by LTS.

The assessment materials available in NAR have a key part to play in helping to develop the new approach to assessment envisaged under CfE, in particular the higher level of autonomy for teachers in judging when and how they should assess learning, and assessing across the curriculum based on a shared understanding of the national standard. There are encouraging signs of NAR's potential to support and facilitate this new approach at this early stage.

Currently, the materials relate to CfE Early — fourth curriculum levels only. Materials to support the new CfE qualifications will be made available through NAR in line with the timescales for the development of these qualifications.

Work has also continued to increase the functionality available through NAR. A particular focus is the functionality that will allow teachers to develop, quality assure and upload their own assessment materials to NAR.

SQA has played a full and active part in developing NAR, populating it, promoting it and raising awareness, and in work to further develop its functionality.

Over the year, SQA also led on the development of a business case for funding for NAR2. This further development will provide functionality to support the creation and production of SQA's assessment materials — for CfE and more widely. Funding for the first year of the business case was approved by the Scottish Government in March 2011. Work is now underway on NAR 2.

More Choices, More Chances

For 2010–11, SQA continued to focus on work in the More Choices, More Chances (MCMC) area.

The role of the MCMC Customer Support Managers was to engage (principally) with schools to ensure understanding of, and to promote qualification options for, MCMC and 16+ Learning Choices within wider CfE implementation. One of the aims was to help centres achieve their objective of helping young people progress through learning and into employment. In 2010–11, SQA:

- carried out 59 school visits and two college visits
- had meetings with MCMC/16+ Learning Choices postholders in 14 local education authorities
- attended authority-wide meetings in 10 local authority areas
- attended 29 events — eg held an MCMC seminar at the Scottish Learning Festival
- presented at 10 MCMC events organised by LTS
- organised five Steps to Work launch events across the country

SQA will continue to help young people by promoting wider achievement including appropriate qualifications.

Partnership Action for Continuing Employment

SQA continues to be an active member of the 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. Skills Development Scotland co-ordinates the national and local-level response teams to provide tailored help and support to individuals facing redundancy and to identify training activities where appropriate.

Working with information from the PACE partners, SQA ensures that qualifications, where required, offer individuals a flexible and relevant route back into employment. SQA supports the national committee and regional PACE partnership groups as required.

Commonwealth Games in Scotland

SQA is currently a member of the Commonwealth Games National Legacy Committee and the Learning and the Skills Sub Committees. It has been working to ensure that the national portfolio of qualifications is positioned to support the Commonwealth Games in Scotland.

To date, this has involved the creation of a new award — Personal Best — a pre-volunteering qualification to support the engagement of hard-to-reach learners for both the London Olympics and Scotland's Commonwealth Games. The Personal Best Award is currently being piloted by John Wheatley College and has proven a success in getting hard-to-reach learners re-engaged.

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

Quality assurance for the Scottish Baccalaureates

During the development of the Scottish Baccalaureates it was agreed that, in view of its process-based nature, the Interdisciplinary Project Unit (IPU) would be internally assessed by centres. Given the high status of the qualification, SQA gave an undertaking to work with centres to develop a robust model of internal assessment and quality assurance for the IPU. The following model was developed and introduced in academic session 2009–10:

- approval of centres to offer the IPU
- centres operating assessment and internal verification systems
- SQA providing external verification with an element of peer review

A support event with a focus on quality assurance was run in February 2010 and was attended by the majority of delivering centres. In addition to presentations on internal and external verification, the event included workshop activities to develop an understanding of national standards of competence.

In May 2010, SQA carried out a two-stage approach to external verification — a quality forum, followed by a central verification event. At the quality forum, centre representatives shared information about the assessment and internal quality assurance models operating in their centres. They were then given the opportunity to review candidate evidence from other centres to help develop their understanding of standards. This was followed by a central verification event, where SQA's External Verifiers reached final verification decisions, which were communicated to centres through external verification reports.

Based on the positive feedback from an independent evaluation of the first year of the Scottish Baccalaureates, and an internal operational evaluation, SQA will enhance the quality assurance model by increasing the element of peer review and, therefore, centres' participation in the external verification process.

The revised model was presented to centres during a support event in February 2011. A revised Centre Guide on Quality Assurance was published on SQA's website and additional training has been provided for External Verifiers.

Research into HN assessment

Since the completion of the Higher National Modernisation Programme, SQA has kept HNs under review to ensure that their design and assessment remains fit for purpose.

SQA commissioned research to explore whether the support the organisation provides encourages innovation and local flexibility. It looked in particular at HN Graded Units. Another study explored the use of workplace evidence in HNs.

The research found that most lecturers, in a range of different HNs, had tried new ways of assessing, mainly to provide feedback to learners in the process of learning. They reported that the time needed to introduce these changes paid off later in improving learning.

In all sectors, lecturers had noticed advantages of Graded Units for learning and teaching. These were that learners see the connections between parts of their course and learn valuable new skills, while lecturers have more opportunities to work together with their colleagues to ensure that their teaching is complementary.

The need and opportunity to use workplace evidence for Higher National assessments varied enormously between one sector and another. In some sectors, simulating work experience is the norm. In other sectors, workplace experience is highly valued and supported by all partners.

Technology in delivery of assessment

Over the past year, SQA has continued to develop innovative approaches to assessment using technology. This activity supports a key strategic objective to increase the use of technology in the delivery of assessment.

In 2010–11, the emphasis has been on consolidating, and building on, work already underway, in particular on the European Social Fund-financed projects to promote and encourage the use of technology to support assessment.

During 2010–11, as part of the TranSETT (Transforming Scottish Education Through Technology) project, SQA:

- made available a wide range of e-assessment content for newly updated National Certificates and National Progression Awards — these materials are freely available for use by centres
- continued to work with a number of colleges on the development of a further range of e-assessments to support other National Certificates/NPAs — these materials will be available to centres from summer 2011
- worked with Scotland's Colleges to develop e-learning support materials for a number of high-uptake National Certificates and NPAs

During 2010–11, as part of the Skills for Scotland project, SQA:

- continued to support the use of the DeskSpace e-portfolio for delivery of Skills for Work Courses
- continued to develop games-based assessments to support Units in selected Skills for Work Courses — this built on earlier work in this area

SQA also:

- held a second-stage trial of the use of social software to support the assessment of groupwork

This built on a successful first stage trial in 2009–10. Evaluation of this trial identified benefits to learners, teachers, centres and SQA from the use of social software. SQA is now working with a small number of centres who are using the approach for a third year and are seeking opportunities to use it more widely to support delivery of qualifications.

- developed a growing range of on-screen assessment content to support delivery of existing and new qualifications

This is consistent with SQA's strategic objective of helping and encouraging centres to move away from paper and instead use on-screen assessment where it is appropriate.

Strategic Goal 3 — Ensure SQA activities support the Scottish Government's agenda to maximise the benefits to Scotland of international engagement.

International activity

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

Along with the Scottish Government and other agencies, SQA represents Scotland's interests in European Commission initiatives designed to develop the vocational education and training systems of the member states of the European Union and to bring transparency and recognition of qualifications delivered across Europe. This work should help support the mobility of students and workers both coming to and

going from Scotland to learn and work, as well as affirming Scotland's separate and different education and training system.

SQA's awarding activities deliver SQA qualifications that assist in meeting the skills needs of respective countries and promote the currency of Scottish qualifications. SQA was delighted that Michael Russell, Cabinet Secretary for Education and Lifelong Learning, presented an award to the 10,000th HND student in China and launched a competition to increase collaboration and understanding between Scotland and China. The results of this competition will be known in October.

SQA enhances the reputation of Scotland's education and training system by offering its expertise to deliver consultancy projects that support in-country capacity building and foster the capability of individuals and organisations in areas such as assessment and quality assurance, and to assist in the development of systems, processes and procedures for education and training.

SQA has been working in partnership with the Botswana Ministry of Education since 1999. One major component of this collaboration was to help establish and build technical and professional capacity of the Technical and Vocational Education and Training (TVET) awarding body in the quality assurance (accreditation of centres and qualifications) and certification of new VET qualifications, developing a mechanism for those qualifications to gain SQA endorsement.

SQA assisted with the development of the TVET awarding body's systems, operations and administrative structures and tools. SQA also provided training to technical and training staff in the key functions and operations of the Quality Assurance framework, such as continuous assessment and internal and external verification processes. SQA continues to provide ongoing support and advice by monitoring, reviewing and evaluating the implementation of the awarding body's quality assurance strategy.

Scotland and Scottish education are also promoted by SQA hosting or participating in study visits to Scotland from a range of overseas delegates. This is often carried out in partnership with Scottish Government and other agencies. One example was a two-day study visit in December 2010 by high-level representatives of the Government of Kuwait and the World Bank. This was hosted by SQA on behalf of the Scottish Government in collaboration with Her Majesty's Inspectorate for Education and LTS. The purpose of the visit was to inform the formulation of the Government of Kuwait's plan for the development of a National Centre for Educational Development.

These activities enhance the reputation of Scottish education abroad and promote Scotland as a place to study and work.

Strategic Goal 4 — Enhance the role of qualifications and services in recognising the skills of individuals across the education and training system.

Recognising skills through qualifications

In 2010, SQA continued its ongoing commitment to incorporating skills into qualifications and further aligned this with national strategies, such as Skills for Scotland: a Lifelong Skill Strategy (2007); Skills for Scotland: Accelerating the

Recovery and Increasing Sustainable Economic Growth (2010); and Curriculum for Excellence Building the Curriculum 4: Skills for Learning, Skills for Life and Skills for Work (2009).

National Qualification Group Award (NQGA) developments and new qualifications to support Curriculum for Excellence have adopted a more skills-based and flexible approach.

In 2010–11 SQA produced new toolkits to help development teams to incorporate essential generic skills in their qualifications. Training on how to use the frameworks and the toolkits has been rolled out across the organisation and to key partners and stakeholders.

Endorsement and credit rating services

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

In 2010–11 a wide range of programmes for a variety of organisations were credit rated on to the SCQF. This included public and private sector organisations. Endorsement activity included qualifications and training programmes for the hospitality sector, publications supporting study skills, and e-portfolio systems.

SQA works closely with the SCQF Partnership (SCQFP) and this year participated in a number of SCQF-led events, including presenting workshops at a good practice event for approved credit rating bodies, and participating in the SCQFP European International Group.

Customer feedback on the credit rating and endorsement services is very positive, and a recent customer survey confirmed a high degree of satisfaction with the level of customer service offered.

Recognising achievements

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

At the annual Star Awards ceremony in November 2010, education and training success stories from across Scotland and internationally were honoured. Forty-four awards in sixteen categories were presented to individual learners and organisations from across the country, including two special awards celebrating science education and training.

The Science Teacher of the Year award acknowledged an exceptional individual with a passion for science, someone who inspires innovation, expression and creative thinking in Scotland's young people. The winner was Morag Ferguson from Annanhill Primary School in Kilmarnock.

The Big Experiment competition challenged young people studying in schools and colleges to report on an experiment or research they had undertaken and explain why it had motivated them. Winner Mark Proctor, of Aberdeen College, had analysed different kinds of milk and produced a video explaining his results.

The honorary SQA Fellowship was presented by SQA Chairman Graham Houston to Hugh McCafferty, Apprenticeships Manager for ConstructionSkills.

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

SQA Accreditation

SQA Accreditation is a discrete, autonomous function within SQA, reporting through the statutory Accreditation Committee and Chief Executive to the Scottish Government. It has a remit to approve awarding bodies and to then accredit qualifications submitted by them. In so doing, SQA Accreditation seeks to ensure that the qualifications it accredits meet the needs of Scotland and its people, and to support the Scottish Government's Skills Strategy. In discharging the accreditation function, SQA Accreditation fulfils a regulatory role ensuring that standards are maintained by those approved awarding bodies and accredited qualifications.

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

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

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

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

In 2010–11, SQA Accreditation continued to work with the qualifications regulators from the other three UK countries on the development of a set of UK-wide common conditions. The aim of the work is to try to develop a set of conditions that will be used by the four qualifications regulators. This will help awarding bodies which operate across all four countries.

SQA Accreditation began a review of its processes to ensure that these processes do not include any unnecessary bureaucracy. It will continue to build on this work in 2011–12, and will be seeking to introduce a streamlined and proportionate accreditation process for all approved awarding bodies. The revised process will benefit awarding bodies and regulators alike.

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

SQA Accreditation

Through its continuous improvement work, SQA Accreditation reviewed its process Quality Enhancement Model of regulation and further work will again be carried out in 2011–12 to consider alternative models of regulation.

Work with colleges

SQA continues to work in partnership with the college sector to develop a new approach to quality, including a new model of quality assurance. Over the last year, college representatives have advised SQA on a new model of quality assurance, e-Assessment, sharing good practice through external verification, the appeals process, and a new policy on malpractice in internal assessment. Progress was shared with all colleges at an event in February.

SQA Connect

SQA Connect, a new online portal for approved centres and other authorised organisations, went live in September 2010. This portal offers access to a range of secure services, including access to the National Assessment Resource (NAR) and online registrations, entries and Unit results.

Complaint-handling process review

As part of SQA's continuous improvement ethos, processes are regularly reviewed and revised to make them as robust, efficient and effective as possible.

During 2010–11, work has taken place to improve processes for handling customer complaints and feedback, to ensure that they are simple for customers to understand and supported by rigorous internal procedures and staff training.

A review was completed, improvements were identified, and the new policy on Customer Complaints and Feedback, and the policy on Persistent and Vexatious Communication will be launched in 2011.

Stakeholder tracking research

Since 2001, SQA has commissioned a regular tracking survey targeting eight defined stakeholder groups with an annual sample size of 3,000. This aims to improve the organisation's understanding of stakeholders' needs and perceptions. This will help to:

- deliver relevant, high quality products and services
- improve working relationships and create formal partnerships
- identify opportunities and areas of concern

During the year a tracking study of four phases of research was conducted by telephone and face-to-face interviews.

Respondents included:

- schools
- colleges
- training providers
- candidates
- parents

The detailed findings that emerged from this programme of research are positive and encouraging, particularly in relation to levels of awareness, understanding, relevance and SQA's credibility rating. These findings continue to inform SQA's future plans and activities. Some of the findings have been included in the table at Section 6: Performance Measures.

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

SQA Accreditation

Although a discrete function within SQA, the Accreditation function seeks to continuously improve the services which it provides to awarding bodies and sector skills councils. Therefore in 2010–11, SQA Accreditation commissioned an external agency to conduct a review of its performance as an accreditation body. All the approved awarding bodies, all the sector skills councils, and a number of key stakeholder bodies, such as the Scottish Government, participated in the review. The review provided very positive feedback about SQA Accreditation's performance and, in particular, regarding the contribution its staff make in delivering its services. SQA will aim to continue to provide a high quality, highly valued service and will seek to address the small number of potential improvements identified in the review.

Labour market intelligence group

Many of the key organisations in the skills landscape in Scotland provide and use labour market data and intelligence (LMI). At an operational level, there is much that these organisations can learn from one another, and the people, firms and institutions of Scotland will benefit from a joined-up approach to public services.

To facilitate the exchange of good practice and to provide an opportunity for discussion and debate, a 'round table' group was formed between the relevant bodies in Scotland. The group met for the first time in February 2010, and during the period from April 2010 to March 2011 established itself as a valuable forum for the propagation of good practice and co-ordination of labour market intelligence.

As prime movers in the initial establishment of the 'round table', SQA hosted the first meeting. Participants from across the skills landscape, including the Scottish Government and Skills Development Scotland, attended the sessions to share views and experiences. Throughout 2010–11 the group has convened six times.

The 'round table' group was asked to act as the steering group for the Scottish Government-led project to develop an LMI Framework for Scotland, and activity associated with this project has led the agenda for much of the last twelve months.

The finalised LMI Framework is scheduled for publication later in 2011, but latest information is available at: www.scotland.gov.uk/Topics/Economy/labour-market/LMI.

SQA is chairing the steering group's communication and dissemination work stream. This will form a substantial part of the final Framework.

As a result of the openness and co-operation the group engenders, SQA and the Alliance of Sector Skills Councils Scotland have initiated a joint research project. The initial stage of this research is scheduled for publication in 2011–12, with the intention of continuing this work into future stages. It is a clear example of co-operation and collaboration, and will lead to research outputs that are of value to the people, firms and institutions of Scotland.

Equality

During 2010–11, SQA built upon good practice and made the consideration of equalities a formal part of its qualifications development process. Qualifications are reviewed to identify and, where possible, remove the adverse impact of any potential barriers for candidates on the grounds of any of the protected characteristics, in line with SQA's duties under the Equality Act 2010.

SQA continues to promote the mainstreaming of equality into the development of its new qualifications and in the review of its existing qualifications. To this end, a new Equality Review of Qualifications process and supporting guidance was developed to help staff carry out the equality review of their qualifications in a robust and transparent way.

Equality and inclusion is fully considered as a key aspect in the development and review of SQA qualifications. This ensures that qualifications are more accessible for candidates from different equality groups.

Gaelic Language Plan

SQA's Gaelic Language Plan was approved by Bòrd na Gàidhlig in 2010 and launched formally at Sgoil Ghàidhlig Ghlaschu in February 2011. Production of Gaelic Language Plans is a legal requirement under the Gaelic Language Act of 2005, and SQA has a key role in continuing to support the National Plan for Gaelic 2007–12, the National Gaelic Education Strategy and the new action plan for the language 'Ginealach Ùr na Gàidhlig'.

The actions and commitments which are central to SQA's Gaelic Language Plan are linked directly to priorities within these national initiatives, indicating the depth and extent of SQA's contribution to the success of the Act. The plan can be accessed via the following link, www.sqa.org.uk/gaidhlig.

The summary below outlines SQA's key achievements in 2010–11 in relation to the ongoing implementation of the approved Gaelic Language Plan.

Educational commitments: key achievements

- A new suite of Gaelic language learning Units have been validated, primarily for use in colleges.
- The range of Gaelic-medium subjects examined has been expanded to include Higher Mathematics for the first time.

- A project board and team have been established to develop and test new systems to register, record and report on Gaelic-medium candidates.

Corporate commitments: key achievements

- There is a new Gaelic section on SQA's website: www.sqa.org.uk/gaidhlig.
- The most commonly-used forms are now available in bilingual format.
- There has been increased visibility of Gaelic within the organisation.

Business continuity

During 2010–11, SQA built on its earlier work to embed a business continuity management system, delivering a series of focused scenario tests for key teams. The business impact analysis, which underpins SQA's business continuity strategy, was updated to ensure that it continues to reflect organisational priorities. SQA reviewed its plans and worked with stakeholders in the Scottish Exams Contingency Group and UK Awarding Bodies Crisis Management Team to respond to the disruption caused by the Icelandic volcanic ash eruption.

Relocation to Shawfair

SQA's Dalkeith accommodation is no longer fit for purpose and would require significant expenditure to support modern working practices and meet environmental and energy saving considerations. Following detailed evaluation of options, relocation to a new purpose build office was identified as the most cost effective option.

Building work commenced following the ground-cutting ceremony performed by Keith Brown MSP, Minister for Education and Skills in June 2010. Work is progressing to plan and SQA should be fully relocated to the Shawfair office by December 2011.

Appointees

SQA relies on thousands of appointees to support development and delivery of its qualifications. During 2010–11, a number of improvements were introduced in the way SQA works with its appointees.

SQA now has a formalised performance management system, including a feedback process, which supports appointees in their roles and helps to ensure that best value is achieved.

Appointee and centre appointment correspondence and guidance documents have been transferred to electronic format where appropriate. Appointees and centres have welcomed this increased use of electronic communications.

During 2010–11, the appointment processes for External Verifiers, examining team members and invigilators were reviewed, and additional training programmes were introduced to support and develop appointees' skills.

Partnership Group

SQA continues to work in partnership with its recognised trade unions Unite (T&G and Amicus) and Unison.

During the course of the year, the Partnership Group has worked together to address the issues facing SQA, including strategic discussions with its Executive Team, as to how SQA might respond to the financial pressures of the current economic climate. These discussions gave rise to a number of staff initiatives to ensure that HR practices remain fit for purpose but in keeping with SQA's core values. These include:

- a Voluntary Early Release scheme
- approaches to creating a more flexible workforce to place resources where the needs are greatest
- more flexible working practices to ensure that the main Diet of Certification is delivered more cost effectively
- strict limitations on external recruitment
- a suite of policy reviews

The Partnership Group also initiated the Facing Our Future campaign, which asked staff for their ideas for cost savings or efficiencies. The ideas were wide-ranging and many are being implemented across SQA and the cost savings are being realised.

SQA staff continue to be highly engaged with the organisation, as demonstrated by the results of the Staff Opinion Survey, which shows staff to have an engagement level with SQA of 83%. SQA's absence trends show a 15% reduction in both short and long term absence. In 2009–10, the total number of days' absence was 8,352. This reduced to 7,064 days in 2010–11, despite an increase in the number of staff members. In the last year, SQA has put in place enhancements to its existing absence management processes and procedures to manage sickness absence effectively at all levels.

Voluntary Early Release

SQA is always seeking opportunities to streamline processes and use its resources more efficiently. As a result on ongoing process improvement, in 2010–11 SQA estimated that it could release a number of staff reducing the organisation's cost base while continuing to deliver high quality services.

With the approval and funding of the Scottish Government, and full agreement and support from the Trade Union Partnership Group, SQA ran a Voluntary Early Release scheme, to allow staff to volunteer to leave the organisation, with financial compensation. Volunteers were only allowed to be released where it was operationally viable to do so and the financial considerations were taken into account. In total, 32 members of staff were released from the organisation in March 2011.

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

SQA's business model

SQA continues to develop and maintain a comprehensive portfolio of products and services that meet the lifelong learning needs of learners, business, industry, the

economy, and wider society of Scotland. To ensure the future integrity of this portfolio, SQA must generate income from its products and services to re-invest in its core activities.

As part of SQA's continuous improvement and change programmes, SQA has been implementing a business model that has increased customer focus and which seeks to maximise opportunities for income generation from SQA's products and services.

This business model is embedded in SQA's strategy to generate income from products and services in markets outwith Scotland. This includes awarding activities, contract work obtained through competitive tendering, and international consultancy work that is undertaken on behalf of governments, ministries, and international agencies.

In 2010–11, SQA established a trading subsidiary to facilitate some of its income generating activities.

SQA Accreditation

SQA Accreditation organised a one-day seminar for awarding bodies and sector skills councils with the main aim of providing an update on the work of the accreditation function. However, recognising that many of those who would be attending the event would be unfamiliar with the work of other Scottish stakeholders in the Scottish vocational education and training landscape, SQA Accreditation invited speakers from the Scottish Funding Council, Skills Development Scotland, the SCQF Partnership, and the UK Commission for Employment and Skills to contribute to the seminar.

The event was also used as an opportunity to begin dialogue with awarding bodies and sector skills councils about a revision of the SVQ criteria. Feedback from the event was very positive, and almost all those who attended found it very useful.

Portfolio management in SQA

SQA has a 2020 Vision which describes how the organisation will deliver for Scotland in the longer term. SQA requires a road map to define the high level approach to achieving this Vision. The Strategic Road Map is the vehicle by which SQA describes the initiatives for development in pursuit of the Vision.

To support this, a new Portfolio Management Office (PMO) was established in January 2011. The remit of the PMO is to:

- understand the totality of the programme and project work currently being undertaken in SQA, the dependencies between them, and to ensure that they are visible through an appropriate reporting cycle
- implement a framework to provide assurance of project delivery

The Portfolio Board, which comprises the Executive Team and the PMO Manager, meets monthly to consider new requests and to review the progress on work currently underway.

To support the development and implementation of new standardised programme and project management processes, a Community of Practice (CoP) was established

in January 2011. This will build on the good practice already in place in many areas and make its usage standard across SQA.

Strategic relations

As part of the 2020 Vision, SQA has developed a strategy which describes how it will generate funds through activities in new areas.

SQA achieved supplementary recognition from Ofqual in June 2010 to deliver qualifications in the rest of the UK. In March 2011, SQA renewed its partnership agreement with the Chinese Service Centre for Scholarly Exchange, continuing to deliver Higher National Diplomas (HNDs) at universities throughout China.

SQA continues to work in partnership with stakeholder organisations in all its areas of business.

6 Performance measures

SQA identified performance indicators to measure its success in implementing the Corporate Plan 2010–13, linked to the strategic goals and National Outcomes. The link between the National Outcomes, SQA strategic goals and performance measures is illustrated on page 27.

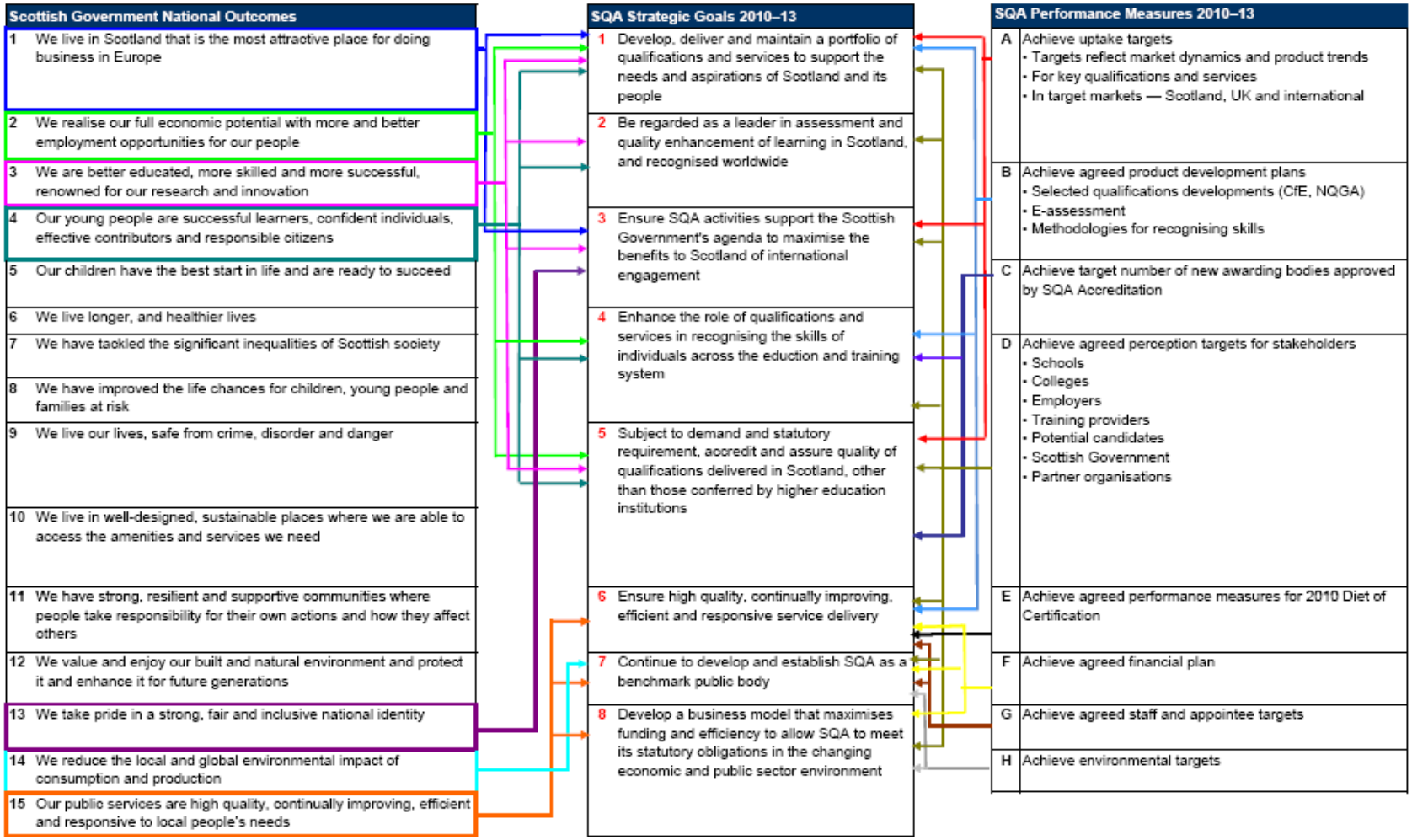
The results for these performance measures are set out in the table overleaf.

For measures A, C, D and F, a higher than target performance is desirable. For these measures, tolerances are as follows: <90% = red, >90% but <95% = amber, >95% = green.

For measures B, E, G and H, SQA aims to achieve the target but not exceed it. For these measures, tolerances are as follows: <90% or >110% = red, >90% but <95% or >105% but <110% = amber, >95% or <105% = green.

Measures		Target	Actual	Perf	Commentary	M/S
A	Increase uptake of qualifications from 2009–10					S
	National Qualifications			100%		
	Higher National Certificates/Diplomas			110%		
	Scottish Vocational Qualifications Group Awards			93%		
	Other			117%		
B	Achieve agreed product development plans					M
	Curriculum for Excellence				All milestones on Programme Plan achieved. Programme on track.	
	National Qualifications Group Awards	35	49	140%	49 is the total number of specialist NC and NPA Group Awards in development.	
	E-assessment		40		SQA has increased the number of qualifications supported by e-assessment in line with plans. Over year 2010–11 SQA either developed or commissioned new e-assessment for around 40 qualifications, both new and existing.	
	Qualification support materials published		95%	95%	95% of all assessment support materials were produced in accordance with agreed timescales in 2010–11.	
	Methodologies for recognising skills	100%	100%	100%	New Skills Framework and associated guidance derived from BtC4 is complete and being used in developing new National Qualifications	
C	Achieve target number of new awarding bodies approved	5	6	120%		S
D	Achieve agreed perception targets for stakeholders	80%	82%	103%		S
	Schools	90%	93%	103%		
	Colleges	90%	97%	108%		
	Employers	80%	81%	101%		
	Training Providers	90%	98%	109%		
	Potential candidates	70%	72%	103%		
	Scottish Government				Qualitative stakeholder research has been completed in 2010–11 and action plans developed for key stakeholders. These will be taken forward in 2011–12.	
	Partner organisations					
E	Achieve agreed performance measures for 2010 Diet of Certification	100%	100%	100%	All 10 agreed performance measures for 2010 Diet of Certification achieved.	M
F	Achieve agreed efficiency targets	£1.0m	£1.3m	130%		S
	Pay suppliers within 10 days	95%	90%	95%		
G	Achieve agreed staff and appointee engagement targets					M
	Adhere to planned staff levels	785	762	97%	Staffing was reduced by 26 posts (22.80 full-time equivalent) as a result of a voluntary early release scheme at the end of the financial year.	
	Appointee milestones	100%	100%	100%		
H	Achieve 4% reduction in CO_2 tonnage	Less than 4207T	4859T	115%	Energy emissions have increased by 8% following an exceptionally cold winter. Travel emissions have also increased by 14% relative to the previous year.	M

National Outcomes, SQA strategic goals and performance measures



7 Financial performance

Financial overview

The financial results for the year ended 31 March 2011 are contained in the attached annual accounts, which have been prepared in accordance with the 2010–11 *Government Financial Reporting Manual*. The financial performance and position of the organisation are contained within the statement of comprehensive net expenditure and the statement of financial position respectively. The accounting policies adopted by SQA are set out in the notes to the accounts.

Cash balance

SQA's 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 2011 shows that a cash balance of £nil (2010: £nil) was retained at the year end. SQA's financial objective in this regard was therefore achieved.

Pension deficit

SQA has included a pension deficit of £0.66m within the annual accounts under International Accounting Standard 19 'Employee Benefits', the international accounting standard which relates to the disclosure of pension arrangements. This deficit has been advised by Hymans Robertson, the actuary to the Local Government Pension Scheme, of which SQA is a member.

Property, plant and equipment

Expenditure on capitalised property, plant and equipment during the period totalled £1.7m. This was primarily used to purchase IT equipment (£0.4m) and to develop IT systems classed as assets under construction (£1.2m).

Assets classified as held for sale

SQA own the feuhold land and building at Ironmills Road, Dalkeith. Following the announcement that its operations were to move to a new-build leased facility at Shawfair Park, Midlothian, the premises at Ironmills Road were marketed for sale during 2010–11.

SQA considers that the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' were met at 31 March 2011 and have transferred the value of the land and building from non-current assets to current assets. Subsequent to the date of the Statement of Financial Position, an impairment review of this asset was conducted and the asset value has been written down to £0.85m.

Income

SQA income is generated from charging for the delivery of its products and services. Total income in 2010–11 was £47.1m, being entry charges (£38.3m), other income (£8.3m) and EU funding (£0.5m). The impact of focused sales and marketing activity and the higher numbers staying on in education as a result of current economic conditions and the

challenging labour market, meant that there was an increase in income from entry charges across each of SQA's core income streams, namely: National Qualifications, Higher National Qualifications and Scottish Vocational Qualifications.

Expenditure

Operational costs were £58.9m, being staff costs (£20.5m), other expenditures (£36.1m) and depreciation (£2.3m). The decrease in staff costs is predominantly driven by the £7m favourable movement in pension costs accounted for in accordance with IAS 19 'Employee Benefits'. Underlying this adjustment, the operational increase in staff costs is as a result of increased staff numbers and payments made under a voluntary early release scheme. Depreciation fell due to the writing-down of older assets. 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.

Public Services Reform (Scotland) Act 2010

Statements of expenditure from 1 October 2010 to 31 March 2011 in relation to the following can be found on SQA's website:

- Public relations
- Overseas travel
- Hospitality and entertainment
- External consultancy
- Payments in excess of £25,000

Efficiency, effectiveness and economy

SQA plans to make efficiency savings in line with or exceeding Scottish Government targets in each financial year. For the financial year 2010–11, SQA had a target of £1.000 million of cumulative efficiency savings. SQA achieved cumulative efficiency savings of £1.344 million in 2010–11. 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 re-tendering of contracts, using technology more effectively, and improving business processes and working practices. There have been no reductions in outputs or quality of service as a result of making efficiency savings.

Payments to suppliers

SQA aims to pay suppliers within 10 days of receipt of a valid invoice. Performance against this aim during 2010–11 was 90% (2009–10: 84%) of suppliers being paid within 10 days.

8 The future

The Corporate Plan 2011–14 sets SQA's strategic direction for the next three years, covering both SQA's accreditation and awarding functions. The plan has built on the approach taken in recent years, ensuring that the organisation's strategic goals support the Scottish Government's National Outcomes.

SQA's strategic goals for 2011–14 are:

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

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

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

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

5 Subject to demand and statutory requirement, accredit and assure the 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 Continue to develop a business model that maximises funding and efficiency to allow SQA to meet its statutory obligations in the changing economic and public sector environment.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority
29 November 2011

9 Remuneration report

9.1 SQA's staff

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

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

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

9.2 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 2010 are based on full-time equivalent pay as at 31 March for LGPS (see below) and 6.4% of pensionable earnings for Scottish Teachers' Superannuation Scheme members. For 2010–11 employer's contributions of £3,181,549 were payable in total. These contributions were based on 18.2% for LGPS pensionable pay and 14.9% for SPPA pensionable pay.

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

Strathclyde Pension Fund contribution rates

Pay tranche	Contribution rate paid on that tranche
Up to and including £18,000	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%

9.3 SQA's Non-Executive Board

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

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

9.4 Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government.

9.5 Disclosure of remuneration

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

This section of the Remuneration Report is subject to audit.

	Salaries and other payments		Benefits in kind	
	2010–11	2009–10	2010–11	2009–10
	£'000	£'000	£	£
Chairman				
Graham Houston	0–15	0–15	400[2]	-
Chief Executive				
Dr Janet Brown	120–125	145–150	7,300[1]	7,000[1]
Non–Executive Board Members				
Anthony Cassidy*	0–5	0–5	-	600[2]
Jim Edgar	0–5	0–5	400[2]	300[2]
Willie Gallagher	0–5	0–5	400[2]	300[2]
Prof Alex MacLennan	0–5	0–5	900[2]	500[2]
Kenny McKay	0–5	0–5	-	200[2]
Margaret Nicol*	0–5	0–5	100[2]	300[2]
Raymond O'Hare**	0–5	-	-	-
Gordon Rodgers*	0–5	0–5	-	-
Prof John Simmons	0–5	0–5	500[2]	500[2]
Dr Paul Thomson**	0–5	-	400[2]	-
Susan Walsh	0–5	0–5	200[2]	200[2]
Carole Wilkinson**	0–5	-	200[2]	-
Directors				
Maidie Cahill	75–80	85–90	-	-
Rob Gibson	80–85	80–85	-	-
Karen McCallum	90–95	95–100	-	-
John McDonald	90–95	95–100	-	-
Gordon Moodie***	60–65	70–75	-	-
Dr Gill Stewart	85–90	95–100	-	-

*Anthony Cassidy, Margaret Nicol and Gordon Rodgers left the Board on 30 June 2010.

**Raymond O'Hare, Paul Thomson and Carole Wilkinson were appointed to the Board on 1 July 2010.

***Gordon Moodie left SQA on 31 December 2010. Payments associated with his departure are included within Compensation Schemes — Exit Packages in Note 3 to the accounts, but are not separately disclosed due to confidentiality.

The bonuses shown below in bands of £5,000 were paid during 2010–11 and are included within salaries and other payments above:

	£'000
Maidie Cahill, Karen McCallum and Rob Gibson	0–5
John McDonald and Dr Gill Stewart	5–10

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

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

	Real increase in pension	Total accrued pension at 31 March 2011	Cash equivalent transfer value at 31 March 2010	Cash equivalent transfer value at 31 March 2011	Real increase in cash equivalent transfer value
	£	£'000	£'000	£'000	£'000
Chief Executive					
Dr Janet Brown	0–2,500	5–10	403	417	(7)
Directors					
Maidie Cahill	0–2,500	10–15	271	276	(10)
Rob Gibson	0–2,500	0–5	20	30	9
Karen McCallum	0–2,500	5–10	53	65	10
John McDonald	0–2,500	10–15	402	397	(26)
Gordon Moodie	-	-	-	-	-
Dr Gill Stewart	0–2,500	0–5	410	399	(33)

	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	128

The Chief Executive and all of the Directors, except Gordon Moodie, are ordinary members of the Strathclyde Local Government Superannuation Scheme.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

29 November 2011

10 Statement of Accountable Officer's Responsibilities

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

11 Statement on internal control

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

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SQA's policies, aims and objectives, 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 ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

Governance and management structures

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

Sponsor department

As Accountable Officer, I or members of the Executive Management Team meet with 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. The Audit Committee highlight any matters of interest to the Board for their consideration.

Internal audit

The Joint Internal Audit Plan for 2010–11 has been agreed by our Executive Management Team and endorsed by our Audit Committee. This activity is now internally managed by the organisation's Quality Systems 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 contractual arrangements, SQA engaged the services of independent internal auditors, PricewaterhouseCoopers, operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS). The internal auditors provided a clear and objective view of the effectiveness and efficiency of our business processes and monitored progress of 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 audit work are reviewed by the Executive Management Team and the SQA Audit Committee.

Internal controls

During 2010–11, responsibility for the ensuring that appropriate internal controls are applied moved to the Human Resources Directorate. Key controls include:

- A robust corporate planning and performance framework to ensure the economical and effective use of resources.
- Operation of an effective risk management framework.
- Compliance with applicable policies, procedures, laws and regulations.
- Safeguards against losses, including those arising from fraud, irregularity or corruption.
- Mechanisms to ensure the integrity and reliability of information and data.

Planning and performance framework

The SQA Corporate Plan is developed by the SQA Board and the Executive Management Team, in line with Ministerial guidance. The SQA Corporate Plan 2011–14 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.

Portfolio Management Framework

The Portfolio Board has been developed in 2010–11 to oversee the totality of the activity underway within SQA and to ensure its continued alignment to SQA's Strategic Goals and 2020 Vision. Membership is made up of SQA's directors, who act as sponsors for the programmes within the portfolio, supported by the Corporate Programme Office which manages the flow of information. The key activities of the Portfolio Board are to confirm the Portfolio content and priorities, review delivery progress and to ensure that implementation into Business as Usual is co-ordinated to minimise operational disruption.

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.

Partly in response to an internal audit of its risk management arrangements, SQA introduced a number of improvements to its risk management framework during 2010–11, in line with the Office of Government Commerce’s Management of Risk model. A series of training and awareness workshops was provided for the organisation’s senior management team. Escalation pathways and processes were clarified, including the introduction of thresholds for escalation of operational risks to corporate level and quarterly central review of operational risks.

As part of its wider risk management framework, SQA has continued to develop its arrangements for the management of business continuity. During 2010–11, the business impact analysis that underpins SQA’s business continuity strategy was refreshed and a focused testing programme was implemented to confirm that plans and skills remain effective and up to date. Work continues with partner and stakeholder organisations to identify shared risks and solutions, for example in relation to volcanic ash disruption to travel.

Compliance with policies, procedures, laws and regulations

SQA has in place structures which provide assurance that controls are in place and that ongoing review takes place. In particular, a comprehensive policy register is in place. Policies are assigned to policy holders and are reviewed and updated regularly. A revised policy development and review process was rolled out across the organisation during 2010–11.

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

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

Safeguards against losses

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

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

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

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 2010–11 there were no reported personal data incidents. SQA has created a central information management (IM) team with the specific remit of ensuring and developing processes to progress an information management strategy and framework. The IM team are working with business areas to develop information policies to safeguard the organisation's information assets. To further enhance the integrity of the information held, SQA has invested in an Electronic Content Management system. This will be rolled out across the organisation and will enhance controlled 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 ongoing improvements to the organisation's ways of working and to identify opportunities for improving effectiveness across and within our business units. During 2010–11, the structure of SQA's Corporate Programme Office has been amended to provide greater accountability and help identify opportunities for improvement.

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. (Specifically during 2010–11 I have considered the reviews of Curriculum for Excellence (Governance and Programme Management), Governance of SQA International, Financial Controls, Financial Operating Mechanisms, Information Governance and Product Marketing.)
- 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

29 November 2011

12 Independent auditor's report

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

I have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2011 under the Education (Scotland) Act 1996. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2010/11 Government Financial Reporting Manual (the 2010/11 FReM).

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 Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 35, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

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

Opinion on 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 the body's affairs as at 31 March 2011 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 FReM; and
- have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary and sections headed: SQA's Operating Environment, SQA's goals for 2010–11, Financial Performance and The future, included in the Annual Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

David Jamieson CPFA
Senior Audit Manager
Audit Scotland
7th Floor, Plaza Tower
East Kilbride
GLASGOW G74 1LE
Date

13 Accounts 2010–11

Statement of comprehensive net expenditure

for the year ended 31 March 2011

	Note	2010–11 £'000	2009–10 £'000
Expenditure			
Staff costs	3	20,537	24,545
Depreciation and impairment charges	9(ii)	2,329	2,627
Other expenditures	4	36,113	35,955
		58,979	63,127
Income			
Entry charges	5	38,348	37,249
EU funding	6	547	686
Other income	7	8,269	8,700
		47,164	46,635
Net expenditure		(11,815)	(16,492)
Interest payable	8	419	(213)
Net expenditure after interest		(11,396)	(16,705)
Other comprehensive expenditure			
Impairment of assets held for sale	13	(1,413)	-
Total comprehensive expenditure for the year ended 31 March 2011		(12,809)	(16,705)

The notes on pages 47 to 69 form part of these accounts.

Statement of financial position

as at 31 March 2011	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	9	5,375	8,382
Intangible assets	10	726	656
Financial assets	12	262	361
Total non-current assets		6,363	9,399
Current assets			
Assets classified as held for sale	13	850	-
Trade and other receivables	14	16,366	15,895
Financial assets	12	112	200
Cash and cash equivalents	15	-	-
Total current assets		17,328	16,095
Total assets		23,691	25,494
Current liabilities			
Trade and other payables	16	(10,588)	(11,121)
Total current liabilities		(10,588)	(11,121)
Non-current assets plus net current assets		13,103	14,373
Non-current liabilities			
Provisions for liabilities and charges	17	(393)	(378)
Defined benefit liability	3	(660)	(17,101)
Total non-current liabilities		(1,053)	(17,479)
Assets less liabilities		12,050	(3,106)
Taxpayers' equity			
Capital grant reserve		3,638	3,470
Revaluation reserves		92	2,803
General reserve		8,320	(9,379)
Total taxpayers' equity		12,050	(3,106)

The financial statements were approved by the Board of Management on 29 November 2011 and were signed on its behalf by:

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority
29 November 2011

The notes on pages 47 to 69 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2011

	Note	2010–11 £'000	2009–10 £'000
Cash flows from operating activities			
Total comprehensive expenditure		(12,809)	(16,705)
Adjustments for non-cash items			
Depreciation		2,329	2,627
Loss on disposal of property, plant and equipment		71	-
Impairment of assets held for sale		1,413	-
Movements in working capital			
Increase in trade and other receivables		(471)	(1,860)
Less movement in receivables relating to items not through the Statement of Comprehensive Net Expenditure		200	-
(Decrease)/increase in trade and other payables		(533)	1,242
Movements in provisions and long-term liabilities			
Increase/(decrease) of provisions		15	(35)
Decrease in defined benefit liability cost		(7,851)	(441)
Net cash outflow from operating activities		(17,636)	(15,172)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,189)	(1,819)
Purchase of intangible assets		(537)	(442)
Proceeds of disposal of property, plant and equipment		-	(25)
Payment of funds transfer		(1)	-
Net cash outflow from investing activities		(1,727)	(2,286)
Cash flows from financing activities			
Additional funding from Scottish Government	18	9,919	8,976
Government funding	18	8,746	7,464
Capital funding	18	698	1,018
Net financing		19,363	17,458
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 47 to 69 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2011

	Note	Capital Grant Reserve £'000	Revaluation Reserves £'000	General Reserve £'000	Total Reserves £'000
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	9(i)	-	178	-	178
Net gain on revaluation of investments	12(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)	3	-	-	(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)
Changes in taxpayers' equity for 2010–11					
Net loss on revaluation of property, plant and equipment	9(i)	-	-	-	-
Net gain on revaluation of investments	12(i)	-	12	-	12
Release of reserves to the General fund		(530)	(2,723)	3,253	-
Actuarial gain	3	-	-	8,575	8,575
Unfunded benefits paid		-	-	15	15
Net expenditure after interest		-	-	(12,809)	(12,809)
Total recognised income and expense for 2010–11		(530)	(2,711)	(966)	(4,207)
Scottish Government funding	18	698	-	18,665	19,363
Balance at 31 March 2011		3,638	92	8,320	12,050

The notes on pages 47 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 2010–11 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 2010–11 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

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

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

1 low values or short useful economic lives which realistically reflect the life of the asset (or both); and

2 a depreciation charge which provides a realistic reflection of consumption.

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

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

The threshold for capitalising assets is £3,000.

1.3 Depreciation

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

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.

1.4 Intangible assets

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

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

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

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

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

1.5 Realised element on depreciation of revaluation reserve

Depreciation is charged to the Statement of Comprehensive Net Expenditure 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.

1.6 Assets classified as held for sale

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

1.7 Investments

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

1.8 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 Statement of Comprehensive Net Expenditure 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.

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 Statement of Comprehensive Net Expenditure.

1.10 Leases

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

There are no assets held under finance leases.

1.11 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 Statement of Comprehensive Net Expenditure. Due to the low value of balances held in these accounts there is no significant currency risk to SQA.

1.12 Grants receivable

Government grants of a revenue nature are credited to the general reserve in the year to which they relate. Grants to fund capital expenditure are credited to the capital grant reserve and released to the Statement of Comprehensive Net Expenditure 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 the tax is recoverable.

1.15 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 3).

1.16 Changes in accounting policy

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8 ‘Accounting Policies, Accounting Estimates and Errors’. The removal of the cost of capital charge has no effect on the Statement of Financial Position and the Statement of Comprehensive Net Expenditure.

1.17 Changes in estimation techniques

There have been no material changes in estimation techniques.

2 Analysis of net expenditure by segment

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

Awarding and related activities

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

Accreditation activities

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

Scottish Survey of Literacy and Numeracy

The Scottish Survey of Literacy and Numeracy (formerly 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**	**Scottish Survey of Literacy and Numeracy £'000**	**Total £'000**
2010–2011				
Staff costs	19,531	894	112	20,537
Depreciation	2,329	-	-	2,329
Other expenditures	35,500	313	300	36,113
Total expenditure	57,360	1,207	412	58,979
Entry charges	38,348	-	-	38,348
EU funding	547	-	-	547
Other income	8,269	-	-	8,269
Scottish Government funding	17,045	1,200	420	18,665
	64,209	1,200	420	65,829
Funding credited to reserves	(17,045)	(1,200)	(420)	(18,665)
Total income	47,164	-	-	47,164
Net expenditure	(10,196)	(1,207)	(412)	(11,815)

	Awarding and related activities £'000	Accreditation £'000	5–14 Assessment Programme £'000	Total £'000
2009–2010				
Staff costs	23,562	904	79	24,545
Depreciation	2,627	-	-	2,627
Other expenditures	35,314	293	348	35,955
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)

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

3 Staff numbers and related costs

Staff costs comprise:

	2010–11 Total	Permanently employed staff	Others	2009–10 Total
	£'000	£'000	£'000	£'000
Wages and salaries	22,566	20,425	2,141	21,012
Social security costs	1,476	1,476	-	1,380
Other pension costs	(4,242)	(4,242)	-	2,295
Severance and compensation	810	810	-	-
Sub total	20,610	18,469	2,141	24,687
Less recoveries in respect of outward secondments	(73)	(73)	-	(142)
Total net costs	20,537	18,396	2,141	24,545

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 £3,181,000 (2010: £2,769,000), consisting of £3,058,000 (2010: £2,640,000) to the LGSS Scheme and £123,000 (2010: £129,000) to the TSS Scheme. Included within other payables (note 16) are outstanding contributions of £359,000 (2010: £327,000) due to the LGSS Scheme and £nil (2010: £nil) due to the TSS Scheme at 31 March 2011.

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 2011. 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 18.2% for 2010–11 and 19.3% for 2011–12. The TSS has set rates at 14.9% 2010–11 and for 2011–12.

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

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

	2010–11 £'000	2009–10 £'000
Current service cost	3,421	1,606
Interest on obligation	4,210	3,145
Expected return on plan assets	(4,658)	(2,938)
Past service (gain)/cost	(7,699)	403
Losses on curtailments and settlements	-	-
	(4,726)	2,216

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

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

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

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

Average number of persons employed

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

	2010–11 Total	Permanent staff	Others	2009–10 Total
Awarding and related activities	759	624	135	704
Accreditation	23	22	1	25
Scottish Survey of Literacy and Numeracy	9	8	1	8
Total	791	654	137	737

Compensation schemes — Exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	11	11
£10,000 – £25,000	-	18	18
£25,000 – £50,000	-	5	5
£50,000 – £100,000	-	3	3
£100,000 – £150,000	-	1	1
£150,000 – £200,000	-	-	-
Total number of exit packages by type	-	38	38
Total cost (£'000)	-	810	810

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

4 Other expenditures

		2010–11		2009–10
	£'000	£'000	£'000	£'000
Appointee fees		11,973		11,780
Business development specialists' fees and expenses		5,605		5,391
Property expenses		3,707		3,694
Appointee expenses and related costs		2,263		2,193
IT costs		2,250		2,540
Staff travel	819		839	
Staff subsistence	374		281	
Staff training	358		355	
Catering for internal and examination procedures meetings	279		83	
Miscellaneous staff costs	182		313	
Staff related costs		2,012		1,871
Appointee release compensation		1,608		1,288
PR, marketing and publications		1,592		2,237
Postage and telephone		1,558		1,477
Assessment stationery and certificates		1,453		1,535
Equipment and supplies		813		807
Miscellaneous		699		583
Question paper production and printing		495		471
Board and committee expenses		85		88
		36,113		35,955

5 Entry charges

	2010–11	2009–10
	£'000	£'000
National Qualifications:		
National Courses and Units	21,420	20,309
SCE Standard Grade	10,008	10,428
Late appeal charges	45	62
	31,473	30,799
Higher National Qualifications	4,407	4,220
Scottish Vocational Qualifications	2,468	2,230
	38,348	37,249

6 EU funding

	2010–11 £'000	2009–10 £'000
European Social Fund	547	686
	547	686

7 Other income

Commercial testing services	3,124	3,694
Consultancy, secondments and research	2,567	1,952
Gift aid from joint venture	-	820
Commercial events	985	681
Streetworks Qualifications Register	659	497
Miscellaneous income	322	274
Customised award charges	213	153
Royalty income	189	337
Replacement certificate charges	184	229
Sale of publications	18	51
Income from investments for unfunded pensions	8	8
Other interest income	-	4
	8,269	8,700

8 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(29)	(6)
Pension provision credit/(cost)	448	(207)
	419	(213)

9 Property, plant and equipment

(i)

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

	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

(ii) Depreciation and impairment charges

	Note	2010–11 £'000	2009–10 £'000
Depreciation charge for the year	9(i)	1,862	1,777
Amortisation charge for the year	10	467	850
Impairment charge		-	-
Total charge for the year		2,329	2,627

10 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Total £'000
Cost or valuation				
At 1 April 2010	164	1,383	5,029	6,576
Additions	-	-	-	-
Reclassifications	35	-	502	537
Disposals	-	-	(3)	(3)
At 31 March 2011	199	1,383	5,528	7,110
Amortisation				
At 1 April 2010	146	1,127	4,647	5,920
Charged in year	24	116	327	467
Disposals	-	-	(3)	(3)
At 31 March 2011	170	1,243	4,971	6,384
Net book value				
At 31 March 2011	29	140	557	726
At 31 March 2010	18	256	382	656
Internally generated	-	-	-	-
Other	29	140	557	726
	29	140	557	726

	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

11 Financial instruments

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

12 Financial assets

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

(i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2009	335	1	336
Additions	-	8	8
Disposals	-	(9)	(9)
Revaluation	26	-	26
Market value at 31 March 2010	361	-	361
Additions	-	8	8
Disposals	-	(7)	(7)
Revaluation	12	-	12
Market value at 31 March 2011	373	1	374
Market value of investments maturing:			
Within 1 year	111	1	112
Outwith 1 year	262	-	262
Market value at 31 March 2011	373	1	374

(ii) Awards UK Limited

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

Awards UK Limited ceased trading at 31 March 2009 on the agreement of both parties. A liquidator was appointed in 2010–11 and the company was wound up during the course of the year. The final amount of £215,259 due from the liquidator in respect of the liquidation of Awards UK Limited was outstanding at 31 March 2011 and is included within other receivables (note 14).

13 Assets classified as held for sale

	Note	31 March 2011 £'000	31 March 2010 £'000
Feuhold land and building value at reclassification date		2,263	-
Impairment	21	(1,413)	-
		850	-

The feuhold land and building represents SQA's premises at Ironmills Road, Dalkeith. Since SQA's Midlothian operations will be moving to a new-build facility at Shawfair Park, near Dalkeith during 2011–12 the premises at Ironmills Road were for sale as at 31 March 2011.

The feuhold land and building was the subject of a quinquennial professional valuation in accordance with IAS 16 'Property, Plant and Equipment' and was supplemented by annual indexation between professional valuations. It was last valued as at 31 March 2008 by GVA Grimley LLP, an independent valuer in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards.

At 31 March 2011, SQA considered that the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' had been met and as a result the feuhold land and building were reclassified from non-current assets to current assets as assets held for sale.

Subsequent to the date of the Statement of Financial Position, an impairment review of this asset was conducted and the asset value has been written down. Details of the impairment are shown at Note 21.

14 Trade and other receivables

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
Trade receivables	3,002	3,664
Other receivables	521	29
Prepayments and accrued income	12,714	12,202
	16,237	15,895
Amounts falling due after more than one year:		
Prepayments and accrued income	129	-
	16,366	15,895

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

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

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

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

15 Cash and cash equivalents

	2011 £'000	2010 £'000
Balance at 1 April	-	-
Net change in cash and cash equivalent balances	-	-
Balance at 31 March	-	-

The following balances at 31 March were held at:

	31 March 2011 £'000	31 March 2010 £'000
Commercial banks and cash in hand	-	-
Short term investments	-	-
	-	-

16 Trade and other payables

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year:		
VAT	24	10
Other taxation and social security	2,723	2,736
Trade payables	840	2,153
Other payables	404	370
Accruals and deferred income	6,597	5,852
	10,588	11,121

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

	31 March 2011 £'000	31 March 2010 £'000
Local authorities	3	2
	3	2

17 Provisions for liabilities and charges

	SQA unfunded pensions £'000
Balance at 1 April 2009	413
Provisions not required written back	(26)
Provisions utilised in the year	(15)
Unwinding of discount	6
Balance at 31 March 2010	378
Provisions not required written back	-
Provisions utilised in the year	(14)
Unwinding of discount	29
Balance at 31 March 2011	393

The provision for SQA unfunded pensions represents 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

	2010–11 £'000	2009–10 £'000
Scottish Government 5–14 Programme	420	428
Scottish Government accreditation	1,200	1,200
Scottish Government development	7,126	5,836
	8,746	7,464
Total additional funding received	10,617	9,994
Additional funding credited to capital grant reserve	(698)	(1,018)
	18,665	16,440

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 2011 £'000	31 March 2010 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	-	-
Later than one year but not later than five years	24	24
Later than five years	1,149	1,149
	1,173	1,173
Other:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
	-	-

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 4) and the notional refund included in government funding (note 18).

Finance leases

There are no finance leases in operation.

20 Contingent liabilities

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

21 Events post-date of Statement of Financial Position

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', SQA's feuhold land and building representing its premises at Ironmills Road have been reclassified as assets held for sale. The land and building's carrying value at the point of reclassification was £2.263 million which was in line with the marketed selling price of offers in excess of £2 million.

At the closing date of 17 May 2011, the offers received were significantly less than the marketed selling price. Negotiations have been on-going with the preferred bidder, and a minimum guaranteed price of £0.85 million has been agreed in principle.

Due to the difference between the carrying value at the point of reclassification and the guaranteed minimum price, SQA has written down the value of the asset held for sale by £1.413 million. This has been charged to the Statement of Net Comprehensive Expenditure.

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

22 Related-party transactions

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

The SGSD is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, there were no balances outstanding (2010: £nil). In addition, SQA has had material transactions with the Scottish Government Lifelong Learning Division, Employability and Skills Division, (SGLLD). At the year end, there were no balances outstanding (2010: £nil).

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

Related party and reason	Entry charges levied by SQA		Charges incurred by SQA		Amounts due to/(from) SQA at 31 March	
	2010–11 £'000	2009–10 £'000	2010–11 £'000	2009–10 £'000	2010–11 £'000	2009–10 £'000
Cardonald College						
SQA Board Member, Susan Walsh, holds the position of Principal at Cardonald College	362	166	4	20	-	8
Galashiels Academy						
SQA Board Member, Kenny McKay, holds the position of Head Teacher at Galashiels Academy	76	-	-	-	-	-
Jordanhill School						
SQA Board Member, Paul Thomson, holds the position of Rector at Jordanhill School	57	-	-	-	-	-
Scotland's Colleges						
SQA Board Member, Susan Walsh, holds the position of a Lead Principal for Scotland's Colleges	1	-	50	170	11	-
Stevenson College						
SQA Director, Maidie Cahill, holds the positions of Board Member and Vice-Chair at Stevenson College	311	156	40	78	-	2
Stirling Council						
SQA Chairman, Graham Houston, is a councillor with Stirling Council	493	480	5	-	-	-

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. SQA levied charges of £61,000 to the SCQF during the year. At the year end £13,000 remained outstanding.

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

SCOTTISH QUALIFICATIONS AUTHORITY

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 16 of the Education Scotland Act 1996, hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 4 October 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 January 2006