



Annual Report and Accounts 2017–18

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Contents

Welcome	1
A: Performance Report	2
Overview	2
Statement from our Chief Executive	3
SQA's purpose and activities	5
Performance summary	8
Performance analysis	17
Measuring performance	17
Improving communication	20
SQA's partnerships in training and education	22
Qualifications	23
International engagement and co-operation	27
Appointees	28
Quality assurance	28
SQA Change Programme	29
Accreditation	30
Equalities	31
SQA as a corporate parent	33
Employee engagement	33
Financial model	34
SQA's statutory responsibilities	35
Environmental performance	36
Financial performance	38
B: Accountability Report	41
Corporate governance	41
Directors' Report	41
Statement of the Accountable Officer's responsibilities	42
2017–18 Governance statement	43
Remuneration and Staff Report	51
Parliamentary and Accountability Report	59
Independent auditor's report	60
C: Financial statements	64
Notes to the accounts	68

Welcome

I am delighted to present the Scottish Qualifications Authority's (SQA) Annual Report and Accounts for 2017–18, which provides a review of the organisation as a whole, and of its activities during this period.

It outlines our engagement with the users of our services, from school students and workplace trainees, to schools, teachers, parents and carers, and businesses, training organisations, and professional bodies.

The Strategic Goals which guide SQA's work align with the Scottish Government's National Outcomes. Consequently, SQA aims to enable everyone to realise their potential and to achieve their ambitions, and through this to benefit the economy, wider society, and the nation as a whole. Whether you are a learner, a parent or carer, a provider of education and training, or an employer who benefits from a skilled and educated workforce, the services provided by SQA are important for your success.

Many people contribute to the effectiveness of our work — among them SQA's own staff, our appointees, partners, and other stakeholders. The Board would like to thank you all for your support, and we look forward to continuing our work together in the future.

David Middleton CBE
Chair
Scottish Qualifications Authority

A: Performance Report

Overview

This overview section explains what SQA is, how we work, and what we have been doing over the period April 2017 to March 2018. As Scotland's accreditation and awarding body, SQA provides products, services and skills, and training and education — all of which have a positive impact on individuals, organisations, and society. We embed our values — progressive, enabling, and trusted — in all our work.

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

In the Performance summary, we provide updates on SQA qualifications, information on improvements in how we work, news on how we have helped our customers and the community in the past year, and ideas on our plans for the future.

The Performance analysis section of this report expands on this overview, provides more detail and figures, and serves as a context for the financial statements in section C.

How statistics are used in the Annual Report

The Annual Report covers the financial year April 2017 to March 2018, and for most purposes the activities and related statistics described and analysed in the report fall within this period. The exception to this is information concerning National Qualifications, which is based on the **academic year** 2016–17 (which ended with the publication of results in August 2017), as this provides the examination statistics which appeared in the financial year covered by the report. Statistics for awards other than NQ courses (such as Higher National Certificates and Diplomas, and Scottish Vocational Qualifications), which do not run to an annual academic timetable ending in August, are based on the **financial year**.

Statement from our Chief Executive

This has been another exciting year for SQA, full of challenge and opportunity as we have continued to play our part in enabling people to realise their potential and achieve their ambitions.

More than ever, qualifications are an essential part of learners' successful journey from education and training into further study and employment, as well as success in life, benefitting the whole of Scottish society.

SQA plays a crucial role in ensuring that the skills, training, and education systems in Scotland are effective, and we are acutely aware of our responsibility to uphold both the accessibility and the credibility of Scotland's qualifications system. This is one of our main priorities, as it underpins key public policy areas, such as widening participation, narrowing the attainment gap, and providing the people and businesses of Scotland with the skills that they need for the future.

SQA holds a unique position in Scotland's education and training system, working in partnership with a broad spectrum of schools, colleges, training providers, and employers, as well as professional and national bodies. We are a 'listening organisation' and very much value our partnerships with others in the Scottish education and training system. We all have the common goal of delivering a first-class education and training experience for our learners. We proudly believe in that goal and are committed to working with our partners to achieve it.

This year, we have continued to revise National Qualifications, as requested by the Scottish Government's Assessment & National Qualifications stakeholder group. This is a major undertaking, as SQA has a responsibility to ensure that qualifications continue to fulfil the requirements of subject breadth and depth. We have continued to provide support to teachers and lecturers in a number of ways. This includes regular face-to-face engagement with our Liaison Team, and with subject implementation managers, who are seconded teachers. We have also provided an extensive programme of subject events, webinars, and audio presentations to support the changes.

We have continued to gather information and evidence from all our colleagues in schools and colleges, to understand how the qualifications are operating and to listen to the views of school leaders, classroom teachers, pupils, and parents. We have used the findings of our research to help further develop our services.

We have continued to be customer-focused, expanding the ways we use digital technologies to engage with people and enhance our products and services.

As SQA has demonstrated success in Scotland, so our qualifications and services have continued to be in high demand, both in the rest of the UK and internationally. We have delivered a wide range of contracts and consultancy projects that help to reduce SQA's overall reliance on the public purse. SQA's work outwith Scotland is a key element of a successful long-term strategy. Operating in other nations and countries also allows us to bring good practice back to Scotland; it is an integral part of our ongoing work to imagine and realise the future of qualifications, assessment and accreditation. This international work

helps us keep abreast of the changes and opportunities presented by the rapidly changing global environment in which we operate.

2018 is the Year of Young People, an opportunity for us all to celebrate their success and empower them to succeed. We started the year off with a celebration of the creative talents of students from across Scotland who have completed English courses at National, Higher, and Advanced Higher level, as well as students who have achieved the Creative Industries: Media and Communication Higher National Certificate at college. The new book, *Write Times 2* — an anthology of essays, prose, poetry, and drama — is a fantastic testament to the work these young authors have put into achieving their qualifications. It is also a fabulous learning resource, and copies of the book have been issued to every school and college in the country. We are continuing our celebration of young people throughout 2018.

You will find details in the sections that follow of some of the initiatives we have worked on during this year in our endeavour to successfully deliver the best educational experience possible for our learners, and for the benefit of the Scottish economy and society.

Dr Janet Brown
Chief Executive
Scottish Qualifications Authority

SQA's purpose and activities

SQA is the national accreditation and awarding body in Scotland. This means it has developed, and continues to develop, maintain, and improve, a framework of qualifications gained at Scotland's schools, colleges, employers and training providers, including:

- ◆ National Qualifications, studied at schools and colleges, such as National 1–5, Highers, and Advanced Highers
- ◆ Higher National Qualifications, often studied at colleges, made up of units which are qualifications in their own right, and which can serve as a bridge to further study at university

As an accrediting body, SQA sets and maintains standards for many other awarding bodies, and for accredited qualifications such as:

- ◆ Scottish Vocational Qualifications, which provide evidence that learners can do their jobs well — these can be studied in colleges or in the workplace

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

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

Business model and environment

The Education (Scotland) Act 1996 sets out SQA's functions and the governance arrangements to oversee SQA's distinct accreditation, regulatory, and awarding functions. SQA is not a commercial enterprise aimed principally at generating profit, though our work plays an important role in many sectors of the Scottish economy, and we are always conscious of our duty to operate efficiently to optimise the use of our resources. SQA is supported mainly by the entry fees for its qualifications, supplemented by Scottish Government funding granted for agreed purposes, and also by some income from contract and international projects.

SQA works with many sectors of Scottish society, from schools, colleges, and universities, to industry, professional bodies, teaching unions and government. We work in close partnership with organisations such as Education Scotland, the Association of Directors of Education in Scotland (ADES), the Convention of Scottish Local Authorities (COSLA), and the Scottish Council of Independent Schools (SCIS).

To maintain the quality, flexibility, and relevance of our qualifications, we are welcoming and responsive to feedback from all these sectors, and we research the impact and effectiveness of our qualifications. We also welcome initiatives from businesses, professional bodies, and economic sectors which wish to establish new qualifications to support their activities; for example, to certificate and extend the existing skills of their workforce and sector.

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

Organisational structure

SQA is run by an Executive Management Team (EMT) consisting of the Chief Executive and the Directors responsible for the major functions of the organisation. These functions include awarding our own qualifications, and also accrediting and regulating the activity of other awarding bodies. The accreditation function is overseen by our Accreditation Committee, a statutory committee established by the Education (Scotland) Act 1996.

Together with the non-executive members of the wider Board of Management, and in consultation with the Scottish Government, the EMT develops policy, and in particular our Corporate Plan, and oversees its implementation. The role of our Advisory Council, whose members are appointed by Scottish Government to represent our various stakeholders, is to consider and advise SQA on the needs and views of our stakeholders in relation to our qualifications and awards. There is more detail on management structure, including committee membership, in the Accountability Report in section B below.

Objectives and strategies

SQA's Strategic Objectives set out our aims and aspirations as an organisation that makes a vital contribution to the wellbeing, progress, and development of Scottish society as a whole, and of the individuals who form part of it. They cover both our accreditation and awarding functions, and align with and support the Scottish Government's National Outcomes. These are the eight Strategic Goals we worked towards during 2017–18. We refer to them by number in the text of this report:

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

As part of SQA's drive to improve communication we have added a new Strategic Goal for 2018–21 ('Ensure communication and engagement between SQA and our learners, customers and stakeholders is appropriate, clear and timely and tailored to their needs.'). You can read our nine Strategic Goals (with new numbering) in the [Corporate Plan for 2018–21](#).

Our aim is to maintain, develop, and continually improve our qualifications, accreditation, and other activities. We seek to do this through continued engagement with those who use and are affected by our products and services. We are open to feedback, and are very willing to respond to it.

Key issues and risks

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

These were the significant risks affecting SQA in 2017–18:

- ◆ budget pressures
- ◆ management of conflicting priorities and implications for staff
- ◆ government policy changes which might present challenges to the implementation of assessment changes for National Qualifications
- ◆ cyber threats

Going concern

The Board of SQA has no reason to believe that the department's future sponsorship and future ministerial approval will not be forthcoming or will provide reduced support to SQA. The Scottish Government recognises in the Budget Allocation and Monitoring Letter that SQA will require additional core grant-in-aid to meet operational costs. Given this, it has been considered appropriate to adopt a going-concern basis for the preparation of the financial statements in section C.

Performance summary

This section of the report provides an overview of SQA's performance for the reporting period, specifically in terms of our qualifications, the services that we provide, our operational improvements, the ways in which we have engaged with our customers and the local community, and our intentions and ideas for the future.

Improving communications

SQA has prioritised improved communications in all we do, to ensure that our messages are clear, concise, and confident. We continually seek feedback, including face-to-face contact with teachers, head teachers, lecturers, college principals, and training providers at as many centres as possible. We have used their comments to streamline qualifications development and course documentation, and to improve the ways we communicate with them, as well as with learners.

We held two sessions of website user-testing with teachers during the year. Our website is now easier to navigate, and users are finding what they are looking for more effectively, thanks to refined content and fewer web pages.

We have expanded the ways we use digital technologies to engage with people and enhance our products and services. These now include a tailored alerts service, subject-specific blogs, additional information on Understanding Standards, comprehensive details on changes to assessment, and regular development updates through Facebook and Twitter. Across all our qualifications and services, we welcome feedback from our customers, and use it to improve how we do things. We collect and consider feedback from a wide range of sources, including:

- ◆ direct contact with centres through our dedicated teams of liaison and regional managers
- ◆ events we run, whether subject-specific (eg Understanding Standards), for SQA co-ordinators, or focused on quality management
- ◆ surveys we undertake to find out what our customers think of our services and specific issues
- ◆ face-to-face meetings with stakeholders and partners, such as industry bodies, teaching unions, directors of education, and college principals

Qualifications

The development and delivery of high-quality and relevant qualifications has always been the very core of SQA's work. Our ongoing development, improvement, and delivery of qualifications is aligned with Strategic Goals 1, 2, 5, 6 and 8.

The [Annual Statistical Report](#) gives details of entries and results for all our qualification types in the 2016–17 academic session.

National Qualifications

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

Development of revised National Qualifications

SQA continued to revise the assessment in National Qualifications, responding to the direction provided by the Scottish Government in September 2016 to remove assessed units from National 5, Higher, and Advanced courses. This has involved significant changes to qualifications to ensure that course content is still adequately assessed and that standards are maintained.

Revised National 5 course specifications were published in April 2017, followed by guidance and support materials over the following months. Feedback from across the sector indicated that teachers and lecturers would prefer subject information to be shared earlier, and we are acting on this feedback as we revise Higher courses for delivery in 2018–19.

We have made a major effort this year, again in response to feedback, to streamline documentation for NQs, cutting down on duplication of information across documents and web pages. The extent of this streamlining differs across each subject, but as an example, we have reduced the full course specification (including appendices) for National 5 Mathematics by almost 60%, or around 10,200 words.

As we continue to work through the changes to assessment in National Courses, we are grateful to schools and colleges across Scotland for the ongoing partnership we have with them. Our common goal is to reduce workload for teachers and candidates while maintaining the integrity and credibility of the National Qualifications.

Vocational qualifications

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

Across a number of sectors, we are seeing an increasingly diverse range of models for developing new skills supported by qualifications. One outstanding example is CodeClan, which offers career-changers the opportunity to undertake an intensive 16-week programme leading to SQA Professional Development Awards in Software Development.

Scottish Vocational Qualifications

SVQs play a vital role in the world of work. They can provide a successful candidate with a path to a job, and an employer with a guarantee of competence from a new employee. They can also play a part in regulating and professionalising an area of work.

In 2017–18, 27,506 SVQs were awarded. As in the case of the newly-developed SVQ in Boat Building and Repair, they often arise from an expressed need from an industrial sector or professional body for a qualification.

Higher National Qualifications

Higher National Qualifications are developed in partnership with colleges, universities and industry. The Higher National family of qualifications includes both Higher National Certificates (HNCs), which usually take one year to complete, and Higher National Diplomas (HNDs), which usually take two. There is a huge range of subjects at HNC and HND, from Accounting to Video Production. They give proof of both the practical skills needed to do a job and the theoretical knowledge that supports those skills.

Certain HNCs allow direct entry into the second year of a degree, and some HNDs allow direct entry into the third year. SQA has entered into agreements with some professional bodies who recognise HNCs and HNDs as partial fulfilment towards their entry requirements. For example, SQA has collaborated with the British Association for Counselling and Psychotherapy to develop a new HND in Counselling to help meet a real social need for more qualified mental health professionals.

We awarded 15,376 Higher National Certificates and 12,954 Higher National Diplomas in the period covered by this report.

SQA works in partnership with Scotland's colleges in meeting the needs of learners, local communities and the wider economy. Our team of regional managers support our work with colleges, and we also work closely with College Development Network and Colleges Scotland to develop vocational qualifications and meet the requirements of the Developing the Young Workforce youth employment strategy, in line with [Strategic Goal 2](#).

Vocational qualifications need to get people ready for the jobs of today and prepare them for the jobs of tomorrow. The qualifications need to be innovative, creative, and dynamic, serving as enablers to work and further study. Recognising the impact that the digital revolution and the changing economy, the education landscape, and learner journey all have on qualifications, we have launched a consultation process to consider how best to reshape our Higher National Certificates and Diplomas for the future.

We have started to gather information and to have meetings with stakeholders across all sectors. Once this fact-finding phase is complete, we will consider the evidence and consult on what changes need to be made. The College Development Network and Colleges Scotland are important partners in our work to support the development of vocational qualifications in the college sector. We also respond to needs in the college sector with representation on planning groups and being actively involved in the network itself.

Awards

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

They are designed to be as flexible as possible in order to meet a defined purpose, which may be broad or specialist, and to satisfy a growing demand for:

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

At SCQF levels 2 to 6, there are Awards that recognise wider achievement and develop skills in areas such as employability and citizenship that help learners to succeed. In 2017–18, we issued certificates for 23,952 Awards.

National Progression Awards (NPAs) (also at SCQF levels 2 to 6) are short programmes of learning designed to assess a defined set of skills and knowledge in specialist vocational areas. They link to [National Occupational Standards](#), which are the basis of Scottish Vocational Qualifications (SVQs). These awards are mainly used by colleges for short programmes of study. In 2017, new or revised NPAs included Creative and Digital Media: Technologies, Processes and Practices, Scientific Technologies, and Beekeeping. In 2017–18, 13,506 NPAs were awarded.

Professional Development Awards (PDAs) are principally designed for those already in a career or vocation who wish to extend, broaden or enhance their skills in a particular area, though some PDAs are designed for those wishing to enter employment. PDAs have specific aims that relate to occupational areas. They are linked to [National Occupational Standards](#) and sit on the [Scottish Credit and Qualifications Framework](#) at levels 6 to 12. In 2017, new or revised PDAs ranged from Leadership and Management, to Childhood Practice, to Construction. In 2017–18, we issued certificates for 7,058 PDAs.

Customised Awards

SQA develops Customised Awards that are tailored to the requirements of particular employers and occupations. In 2017–18, we issued certificates for 5,804 Customised Awards. Since first offering the service, we have developed 362 awards for organisations.

Quality assurance

SQA and centres delivering SQA qualifications continued to share responsibility for the quality assurance of internally-assessed elements of the qualifications.

External verification activities for NQ and other qualifications such as Higher National Qualifications and vocational qualifications are risk-based, and take into account the experience and previous track record of centres in delivering qualifications. Where a product is being delivered for the first time, there is a particular focus on ensuring appropriate standards are established.

Maintaining the integrity of the Scottish qualifications system is imperative, but any concerns of possible assessment malpractice should be handled fairly, consistently, and sensitively.

We recently updated our reference document, [Malpractice: information for centres](#), which explains our approach, and details our expectations of centres when there are concerns of possible assessment malpractice. While we have made no changes to the process or procedures, we have improved our management of malpractice arrangements. We may now ask centres to provide a contact in the summer months to assist with unresolved investigations; we may amend or revoke candidate results and/or certificates should malpractice be found to have taken place; and, when malpractice is not found, we may offer centres specialist support.

We continue to support our college customers, particularly through the College Quality Focus Group, which meets six times a year to discuss and advise on quality improvement.

We held an event for quality managers at our Lowden offices in February 2018, and some 35 representatives from Scottish colleges attended. Presentations covered quality assurance within colleges, the General Data Protection Regulation (GDPR), and malpractice. There were also updates on revised Highers and HN graded units, and workshops on systems verification and ICT in exams. The overall satisfaction rating for the event was 97%, with most other ratings above 90%.

Apprenticeships

In line with [Strategic Goals 1, 2, 5 and 6](#), SQA continues to provide a wide range of vocational qualifications to meet local industry requirements. SVQs, drawn up by people from industry, commerce, and education, are often the key component of Modern and Foundation Apprenticeships, and provide direct access into employment. In 2017, a new Graduate Apprenticeship was introduced to co-exist with existing apprenticeships.

The future of Apprenticeships

SQA has started work with Skills Development Scotland (SDS) to look at the future of National Occupational Standards (NOS), which apprenticeships (and SVQs) are based on. We are assessing the balance between generic skills required in the 21st century workplace, sector-specific skills, and job-specific skills, to ensure that the NOS provide an appropriate basis for vocational skills which are valued by employers and sustainable into an often rapidly-changing and unpredictable future. SQA is working with regulators in Wales and Northern Ireland, and with SDS, to ensure the NOS continue to provide consistent, industry-led underpinning for apprenticeships and qualifications.

SQA apprentices

It is not only the provision of our qualifications that supports apprentices. As an employer, we have delivered our own successful programme of Modern Apprenticeships — known as Pathways — which incorporates on-the-job training with the opportunity to complete a Business and IT SVQ. Uniquely, our apprentices also work towards an HNC in Business Administration as part of their training. Our apprentices are equipped with practical, demonstrable knowledge and skills that give them the confidence to move on to the next stage in their development.

SQA apprentices work in a variety of roles across the organisation, including Business Development, Finance, Human Resources, Qualifications Development, and Appointee Management. For the first time, we have also recruited a Modern Apprentice to work in the specialist area of Digital Media, assisting with the development of digital learning and assessment materials.

Services

SQA provides a number of services for organisations, businesses and governments, including Customised Awards, consultancy, and contracts. These contribute to SQA's fulfilment of Strategic Goals 1 and 2, but have specific relevance to Strategic Goals 7 and 8.

Contract services

As an internationally-recognised awarding body and government-approved agency, SQA continues to provide a wide range of innovative contract services that respond to specific business and training needs. Our collaborative approach, and ability to provide a robust, scalable, and trusted solution, secured a new contract with the UK's Maritime & Coastguard Agency to design, assess, and deliver competence-based qualifications for deck and engineer officers.

International engagement and co-operation

There is demand worldwide for SQA qualifications and services. We offer our qualifications through SQA centres in a wide range of countries. We also work in co-operation with governments and international bodies on projects to improve education, skills, and training. This work specifically fulfils [Strategic Goals 3 and 7](#).

HNQs retitled for use outside Scotland

Our Higher National Qualifications are now available outside of Scotland with a title that is clearer and more meaningful to international centres and students. Since March 2018, the SQA Higher National Diploma (HND) has been known in countries outside of Scotland as the SQA Advanced Diploma, and the SQA Higher National Certificate (HNC) has been known as the SQA Advanced Certificate. The qualification aims, design principles, content, assessment standards and criteria remain the same.

Appointees

We are enormously grateful to our 18,000 appointees who contributed their time, skills, and expertise to support the development, delivery, and certification of SQA's qualifications in 2017–18. The contribution made by these education professionals is invaluable to the quality assurance of our NQs, HNs, SVQs, and Awards.

Customer and community engagement

SQA makes concentrated efforts to reinforce relationships with our customers, as well as being an active participant in our local communities in Scotland, and this embodies the spirit of [Strategic Goals 4 and 5](#).

Star Awards

The SQA Star Awards ceremony is a unique annual event that recognises and celebrates excellence in education and training by the individuals who take SQA qualifications and the organisations that deliver them. The most prestigious award is named 'Pride o' Worth', and is given to one individual and one centre to acknowledge dedication and value of contribution.

In 2017, the individual Pride o' Worth award went to Tricia Lowe from Angus Council's Social Work department, in recognition of her support and encouragement of her co-workers in helping them to undertake SVQs. The centre award went to Muscat College in Oman, which has been delivering SQA certificates and diplomas for over 16 years. Students from the college who complete SQA diplomas in Computing Science or Business and Accounting can now progress to year 2 or 3 of degree-level programmes at Stirling University.

Write Times 2

In February 2018 SQA published *Write Times 2*, an anthology of the finest writing from students completing SQA qualifications in English over the previous year. This formed part of our contribution to the Year of Young People 2018, celebrating the achievements of Scotland's young people, and showcasing their talents. The pieces included were chosen for their creativity, perception, and imaginative and skilful use of language.

Copies of the book were sent to every school and college across the country, and it is available to download as an e-book from www.sqa.org.uk/writetimes.

Sponsorship

In line with [Strategic Goal 6](#), SQA regularly sponsors external events and projects, to build partnerships and promote relationships that improve education across Scotland, and to support learners and learning in all sectors.

In the past year, we attended the College Development Network Annual Awards as sponsor of the Essential Skills Award, which recognises colleges that have made great strides or used innovative practice in the delivery of the soft, transferrable skills that will help students to reach their full potential.

We were a Partner Sponsor of the 2017 Glasgow Pride Parade, and at the Herald Diversity Awards 2017 we sponsored the Diversity in the Third Sector Award, which acknowledges the excellent work taking place in social enterprises to promote diversity.

Lantra Scotland's Land-based and Aquaculture Learner of the Year Awards celebrate learning opportunities in rural Scotland. SQA sponsored the Modern Apprentice of the Year

Award, which shows how SQA Modern Apprentices are embracing the chance to gain qualifications, use their skills to develop rural industries, and ensure the future of the sector.

In March 2018, SQA attended the YouthLink Scotland Awards, as sponsor of the Skills for Life category, which acknowledges the life-changing efforts that are taking place in youth work every day throughout Scotland.

The ‘Dying to Work’ campaign

In August 2017, SQA became a signatory of the Scottish Trade Union Council’s ‘Dying to Work’ campaign, which undertakes that SQA employees will be supported, protected, and guided throughout their employment following the diagnosis of a terminal illness.

Being a signatory of the campaign is part of our commitment to our staff, as outlined in [Strategic Goal 4](#). We will ensure that our co-workers have the security of work, peace of mind, and the right to choose the best course of action for themselves and their families. They will be shielded from work-related stress, and will preserve any and all accrued workplace benefits.

Volunteering

SQA employees can use 21 office hours each year for practical volunteering activities. SQA encourages staff to volunteer by acknowledging individual efforts in staff Performance Management Reviews. In 2017, 222 staff made use of their designated time to volunteer for a wide range of activities that spanned over 256 individual events, and amounted to a total of 660 volunteering hours.

SQA Rainbow Network

The SQA Rainbow Network was set up in 2017 with the aid of LGBTI colleagues throughout SQA and the SQA Equality team, in direct alignment with [Strategic Goal 4](#). Its purpose is to bolster support for LGBTI colleagues, as well as to raise awareness of the community both inside and outside SQA to promote equality of opportunity and to provide a platform for SQA colleagues to have an open dialogue about issues important to them, in a non-judgemental setting.

Planning for the future

Work has continued over the past year on the SQA Change Programme, which aims to improve the way we deliver our services, and the support we provide to those we work with both inside and outside SQA. In this way, we are steadily laying the foundations for more robust, effective, and reliable operations now and in the future, in line with SQA’s own 2020 Digital Vision and the Scottish Government’s Digital First initiative. We have made considerable progress in modernising and future-proofing our IT and finance systems, which you can read about in more detail in the Performance analysis section.

Much of our planning is devoted to ensuring we can meet the qualifications and assessment demands of the future. For example, our Assessment Futures team is researching how we

might assess an individual's capacity to adapt to change, and other skills which will be of importance to the jobs of the future. This work is in line with our commitments to [Strategic Goals 2 and 6](#).

Accreditation

As well as providing qualifications itself, SQA has a distinct accreditation function, which is to set and maintain standards for other awarding bodies, and for accredited qualifications such as Scottish Vocational Qualifications and other licence-to-practise qualifications, as outlined in [Strategic Goal 8](#).

The accreditation function is a distinct part of SQA, and is accountable to the Accreditation Committee, established by the Education (Scotland) Act 1996.

At the end of 2017–18, SQA Accreditation had a total of 827 accredited qualifications: 525 SVQs; 34 Regulatory and Licensing qualifications; and 268 other qualifications (such as competence-based qualifications).

Performance analysis

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

Measuring performance

SQA's work is guided by our rolling three-year Corporate Plan. This is developed by the SQA Board of Management and the Executive Management Team, in line with ministerial guidance, and is approved by Scottish Ministers. It has been developed to align the organisation's activities with the Scottish Government's National Outcomes. Here is a link to the [2017–20 Corporate Plan](#).

Progress towards our Strategic Goals

Progress towards the Strategic Goals set out in the Corporate Plan is carefully monitored. Quarterly performance reviews by SQA's Audit Committee track our business activities to ensure they are on course, and matters of interest or concern are highlighted for the attention of the Board of Management.

Key areas of the business and our performance are also reviewed at each SQA Board of Management meeting.

SQA uses a range of performance indicators which allow these various groups to monitor performance throughout the year. These are a mix of qualitative and quantitative measures and are derived from our Strategic Goals.

Below are examples of the ways we measure performance:

Delivering the national examinations diet

Development and delivery of each year's main diet of National Qualifications forms the major part of meeting the first of our Strategic Goals. This activity is subject to the strict final deadlines imposed by our published examination timetable. The fundamental performance indicator here is completing all preparatory work, including any major revisions and innovations (such as the revisions of National 5, Higher, and Advanced Higher required by the removal of assessed units), to an agreed schedule. Progress to completion is closely tracked within the various contributory processes, and also in quarterly reviews and Board of Management meetings.

Delivering HN and SVQ qualifications

A different example of measuring how effectively we meet Strategic Goal 1 is provided by our vocational qualifications. SQA verifies these to ensure that the centres that deliver

vocational qualifications assess candidates in line with national standards, and that assessment decisions comply with our quality assurance criteria.

The number of verification visits, and the decisions made by external verifiers, are carefully monitored, as is the resolution of issues which emerge. In the year from April 2017 to the end of March 2018, 3,571 visits were carried out.

Recognition as an employer

SQA continues to be recognised in a number of areas which demonstrate its commitment to being a supportive and inclusive employer. These include:

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

SQA adheres to the Fair Work Convention. This Scottish Government initiative envisages that, by 2025, 'people in Scotland will have a world-leading working life, where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations, and society'.

These are a measure of the effectiveness of our work towards Strategic Goal 4: 'Ensure our culture and values support the engagement and wellbeing of our staff and foster their commitment to the success of SQA'.

Stakeholder survey

We monitor stakeholder satisfaction annually using targeted surveys. This helps us to assess the effectiveness of our services, and to review our efficiency in dealing with customers and complaints.

SQA surveyed stakeholders from the following key groups:

- ◆ individuals aged between 14 and 18 inclusive
- ◆ individuals aged between 19 and 34 inclusive
- ◆ individuals aged over 34 without secondary school-aged children
- ◆ individuals with secondary school-aged children
- ◆ schools
- ◆ colleges
- ◆ training providers
- ◆ employers

Our surveys are carried out by a third-party research company which is a member of the Market Research Society and conforms to its code of conduct. Although SQA commissions the research, it does not control who participates, apart from specifying the broad characteristics of who should be approached.

SQA's profile

Across the key groups surveyed, 90% of respondents were aware of SQA. This figure is broadly in line with that found between 2011 and 2016. Of this percentage, 75% rated SQA's credibility as 'high', and two-thirds felt they had sufficient knowledge about SQA as an organisation.

Results indicated that respondents were aware of most major SQA qualifications, with the highest recognition for Highers, HNCs/HNDs, SVQs, and NQs at levels 3 to 5. This is the first time that NQs have been among the top five most-recognised qualifications.

Credibility

Respondents' view of the credibility of SQA qualifications was highest for Highers, HNCs, HNDs, SVQs, Advanced Highers, and PDAs. Only a small number of respondents regarded our qualifications as having low credibility.

The perceived credibility of Highers, at 92%, has returned to previous levels, after a dip in 2016 (2014: 91%; 2016: 84%). The number of respondents who perceived NQs at levels 3 to 5 as being high in credibility has risen from 47% in 2015 to 66%. This suggests that, as National Qualifications bed in and become more established, they are increasingly seen as credible.

The perceived credibility of HNCs/HNDs has also risen since the previous survey in 2016 (from 85% to 92%).

SQA values

Almost 90% of respondents in the 2017–18 survey agreed that they trusted SQA, with two-thirds agreeing that SQA is an enabling and progressive organisation.

These findings provide solid evidence that our stakeholders have a high regard for SQA, and our qualifications.

Other approaches to measuring performance

We use performance indicators to monitor our budgetary performance against forecast expenditure, compliance with legal obligations such as freedom of information (FOI) and data protection legislation, and our progress towards our own environmental and equality targets.

Regularly reviewing each Strategic Goal against appropriate indicators gives us an overall view of our performance and progress, helps us monitor any compliance issues, and provides a detailed account of operational effectiveness across the full extent of our work.

Improving communication

SQA is committed to improving communication across our work. We actively seek feedback, and have used it to inform a series of considered improvements across SQA platforms, to ensure that our communications are clear, concise, and confident. In addition to the activity summarised below, we have added a new Strategic Goal for 2018–21 ('Ensure communication and engagement between SQA and our learners, customers and stakeholders is appropriate, clear and timely and tailored to their needs.').

Streamlining our documentation

Communications to centres and teachers for National Qualifications are now more succinct. For example, as part of our ongoing improvement programme, the content of our weekly *Centre News* bulletin is now more targeted and timely for our customers. We have also streamlined course specifications for all National 5 subjects, removing duplication and improving clarity. Since their publication, the revised course specifications for National 5 English have been downloaded by 6,262 users, while the revised course specifications for National 5 Mathematics have been downloaded by 6,203 users.

In January 2018, we published details of planned high-level changes to documents for Higher courses. These documents attracted healthy download figures, with 1,515 users downloading the planned changes for Higher English and 1,062 users downloading them for Higher Mathematics.

User testing and feedback analysis

Extensive user testing and feedback analysis has helped us to improve access to our website, with 84% of users in a recent test reporting that they found searching easier. With the help of customer input, we have improved the display of National 5 subjects, and are doing the same for Higher documents this year.

Overall, we have improved the search experience for users, by refining our content and reducing the number of pages on our website. More than 37,000 unique users have accessed our new section highlighting and explaining changes to National 5 assessment, and we have provided additional information on national standards in assessment in our Understanding Standards website.

SQA's MyAlerts service has been expanded to include a text service as well as e-mail. It offers over 13,000 subscribers relevant information at a frequency of their choosing. Our weekly *Centre News* is accessed more than 25,000 times a week, by approximately 3,500 subscribers, including SQA co-ordinators in centres. *Centre News* gives updates on operational and development news from SQA, and is complemented by subject-specific blogs written by our qualifications managers.

Clear and Confident Writing workshops

As part of the drive to improve communications we successfully ran 16 Clear and Confident Writing workshops for NQ and HN teams. In total 169 people attended — including 122

qualifications managers, qualifications officers, subject implementation managers, and qualifications co-ordinators.

We also piloted four Clear and Confident Writing online learning modules on SQA Academy, and reviewed the feedback from 11 volunteer users with the aim of fine-tuning the course before it is made available to the whole organisation later in 2018.

Our SQA writing style guide, [Writing for SQA](#), has been updated to reflect the approach used in the workshops and to include guidance on our agreed tone of voice.

Social media

SQA's social media channels are an integral part of our communications activity, and our Facebook page (8.3k followers) and Twitter accounts (22.4k followers) provide regular updates on developments. Our first post on changes to National 5 course specifications reached 15,032 individuals. In addition, social media posts regarding the planned changes to Higher courses have reached over 98,000 individuals.

Face-to-face communications and fieldwork

SQA recognises the importance of face-to-face contact with teachers and lecturers. Over the past year, following extensive fieldwork over the preceding two years, we have engaged with head teachers from 30 of Scotland's 32 authority areas on key topics, forthcoming developments, and changes to processes. This year we presented our plans to introduce a 'communications toolkit' to help centres to share SQA information with pupils, parents, and carers. This will include adaptable, pre-written materials, which can be incorporated into newsletters.

Customer contacts

Our Customer Service Team received over 160,000 queries from centres and candidates over the year from April 2017 to March 2018:

- ◆ 88,500 telephone calls (72% from candidates, 28% from centres)
- ◆ 62,500 e-mails (53% from candidates, 47% from centres)
- ◆ 10,900 social media contacts (predominately from candidates)

A survey commissioned by SQA and conducted by an independent research company found that individuals who contacted SQA throughout the period covered by this report rated the communication with an average score of 8.55/10 — the highest rating since 2013.

SQA had contacted almost 50% of the survey respondents during the same period, receiving an average rating of 8.72/10 for their outbound communication. Again, this figure is the highest rating since 2013.

Colleges, schools, employers, and training providers who had contact with SQA in the period covered by this review gave an overall rating of 6 or more out of 10, stating that SQA was very helpful, and their queries were handled promptly and efficiently.

These findings provide solid evidence that our stakeholders have a high regard for how we communicate.

Complaints handling

As a leading public body, SQA works hard to provide qualifications and services at a standard that satisfies customers on every occasion, as outlined in Strategic Goal 5. It is important that, if there are complaints, SQA manages them in a fair and efficient way that complies with the Scottish Public Service Ombudsman's (SPSO) complaints-handling procedure.

In 2017–18, we received 77 complaints (down from 86 in the previous year): all were resolved; 45 were upheld or partially upheld, and 32 were not upheld.

If complainants are not satisfied with SQA's handling of their complaint, they may be able to refer the matter to the SPSO. In 2017–18, the SPSO published two decisions in relation to complaints about SQA. Neither of these complaints was upheld.

During the year, SQA also provided responses to one further full investigation. The SPSO did not uphold the complaint with regard to SQA's assessment processes, but did identify recommended action to improve the way we handle complaints. The SPSO confirmed in March 2018 that satisfactory action had been taken to address this recommendation. SQA also provided responses to five further pre-investigation requests where the SPSO decided not to proceed with a full investigation.

SQA's partnerships in training and education

SQA has a crucial role to play in ensuring that the skills, training, and education systems in Scotland are effective. This is one of our main priorities as it underpins significant public policy areas such as widening participation, narrowing the attainment gap, and providing the people and businesses of Scotland with the skills that they need for the future. To achieve this goal, and to build confidence and trust in the new National Qualifications, SQA works in close partnership with other organisations and stakeholders in Scotland, including:

- ◆ Education Scotland
- ◆ Scottish Government
- ◆ Association of Directors of Education in Scotland (ADES)
- ◆ Convention of Scottish Local Authorities (COSLA)
- ◆ Scottish Council of Independent Schools (SCIS)
- ◆ School Leaders Scotland (SLS)
- ◆ colleges
- ◆ professional associations

SQA also works closely with stakeholders across the further education sector. In particular, SQA supports Scotland's family of apprenticeships: SQA qualifications are embedded in the majority of Scotland's Modern Apprenticeships, which means that SQA plays an important

role in supporting Foundation Apprenticeships and the wider Developing the Young Workforce policy. In these areas, we work closely with Skills Development Scotland (SDS), and the Scottish Funding Council (SFC), and we are members of their joint Skills Committee.

Collaborating with Colleges Scotland, SQA continuously develops the national portfolio of qualifications, ensuring that Scotland's skills and knowledge-based qualifications remain world-class. Similarly, with College Development Network (CDN), we support its innovation and professional development in the college sector. We also work with the Scottish Training Federation (STF), and value the strong relationships that we have with training providers across Scotland; we are proud of our role as the provider of the majority of Scotland's vocational and technical qualifications.

Qualifications

At the heart of our work as an awarding body is SQA's comprehensive portfolio of qualifications, which are undertaken in schools, colleges, and through training providers. These play a vital part across Scotland's economy and social fabric, in sectors such as Oil & Gas, Construction, Health and Social Care, and personal and professional development. SQA's work as a provider of qualifications meets Strategic Goal 1: 'Develop, deliver and maintain a portfolio of qualifications and services to support the needs and aspirations of Scotland, its people and its economy'.

National Qualifications

SQA issued results certificates to 136,889 National Qualifications candidates across Scotland on 8 August 2017. The candidates were rewarded for completing coursework, exams and unit assessments throughout the academic year 2016–17 in a wide range of qualifications and subjects that is designed to suit all learners. This included National 1–National 5, Higher and Advanced Higher. There was also an increase in the uptake of a broader range of Awards, Skills for Work, National Progression Awards and National Certificates.

The first phase of the three-year process to revise the method of assessment in National Qualifications led to the publication of the revised National 5 course specifications in April 2017. The following months saw the publication of guidance and support materials to prepare for the school year 2017–18. A similar process was started at Higher level (40 courses, including Modern Languages as one subject) for session 2018–19, but this was modified in response to feedback from teachers who asked for subject-specific detail as early as possible in the process.

Throughout the reporting period, SQA has provided regular updates to schools, colleges and training providers through its weekly *Centre News* e-newsletter, social media, web announcements and subject-specific update documents. These include information on qualification developments, new and updated documents, upcoming events and webinars, and assessment support. In addition, our Liaison Team regularly visit schools and colleges to provide support with all developmental and operational information.

Results Services

Results Services include the exceptional circumstances consideration service together with post-results services.

Exceptional circumstances consideration service

The exceptional circumstances consideration service operates before results are published in August. If a centre believes that a candidate has suffered as the result of exceptional circumstances, such as bereavement or illness, it can inform SQA. If the request is accepted, the centre can submit evidence of the candidate's attainment from throughout the year for consideration.

We do not charge schools or colleges for exceptional circumstances consideration applications on behalf of candidates.

During the 2017 diet, a total of 3,480 exceptional circumstances requests were dealt with in August.

Post-results services

The post-results services include clerical checks, marking reviews, and priority marking reviews following the National Qualifications examinations diet.

Post-results services allow centres the opportunity to query unexpected results on the basis of their professional knowledge of a candidate's performance throughout the year. (Ungraded internally-assessed National Courses at SCQF levels 1–4 are not eligible for post-results services.)

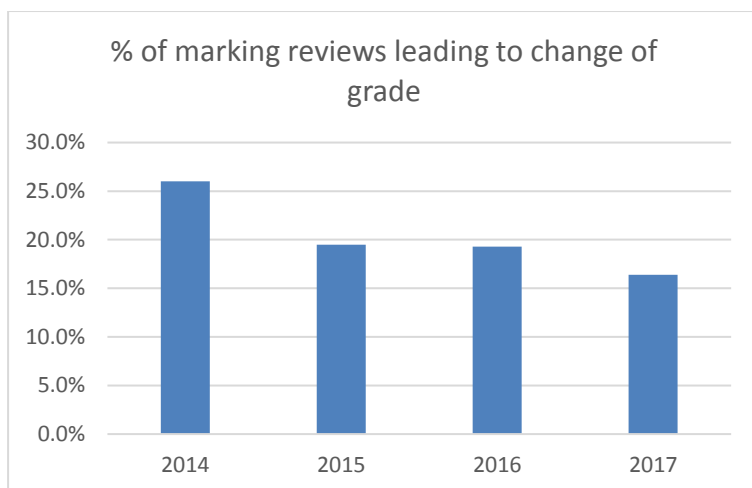
If a candidate's grade increases or decreases through a priority marking review, a marking review and/or a clerical check, there is no charge. A cost is incurred only when there is no change to the candidate's final grade.

Observations

In this fourth year of the post-results service, we have seen that centres are becoming familiar with the process and following the advice provided by ADES and SQA.

There were a total of 14,536 requests for either a clerical check or a marking review of the examination material. The majority (95.6%) of the requests were for a marking review. A smaller number of requests went through the priority marking review (3.8%) and/or the clerical check (0.6%).

The overall percentage of marking review requests which resulted in a change of grade has again fallen, to 16.4% this year (this includes both upgrades and downgrades). This continues a downward trend, from 26.0% in 2014, 19.5% in 2015, and 19.3% in 2016, as shown in the chart below. This decrease may be due to the volume of quality checks that markers' work is subject to before certification — this includes increasing the use of e-marking.



Understanding Standards

Understanding Standards is the programme put in place to support the new qualifications, and this continues to receive very positive feedback from teachers and lecturers. We have published materials to go with our Understanding Standards events. These give examples of candidate evidence, and commentaries which explain why the evidence has, or has not, met the required standards. These are designed to help teachers and lecturers develop their understanding of the standards required for assessment, and are aligned with Strategic Goal 2.

From June 2017 to February 2018, SQA delivered:

- ◆ 65 Understanding Standards events. These were attended by 3,183 delegates. Following on from the events, the (anonymised) candidate evidence and commentaries used were published on the Understanding Standards or SQA's secure website.
- ◆ 27 CPD webinars were also held. Video recordings of these sessions were then published on our Understanding Standards website.
- ◆ 28 online presentations with accompanying audio. These were also published on our Understanding Standards website.
- ◆ Where possible, revised or simulated Understanding Standards evidence with commentaries illustrating the revised assessment for National 5 courses.

The majority of this activity focused on the revisions to National 5 course assessment for session 2017–18.

Vocational qualifications

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

- ◆ Scottish Vocational Qualifications
- ◆ Higher National Qualifications (Certificates and Diplomas)

In the reporting period, we issued certificates for 166,260 group awards (for example, Higher National Certificates, Higher National Diplomas, and Scottish Vocational qualifications), of which 15,528 are Regulated Qualifications in England and Wales. Our [Guide to Scottish Qualifications](#) contains further information on these qualifications and what they could lead to.

Scottish Vocational Qualifications

Scottish Vocational Qualifications (SVQs) are work-based qualifications that demonstrate that the holder can do their job to the national standards for their sector. There are currently 525 SVQs available, covering many occupations. They are developed by experts from industry, commerce, and education, and play an important role in apprenticeships.

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

SVQs are based on National Occupational Standards. They can provide a successful candidate with a pathway to a job, and an employer with a guarantee of a new employee's competence. They can play a part in regulating and professionalising an area of work. In 2017–18, 27,506 SVQs were awarded. SVQs often arise from an expressed need from an industrial sector or professional body for a qualification.

Higher National Qualifications

Some HNCs allow direct entry into the second year of a degree programme, and some HNDs allow direct entry to third year. Many professional bodies in the UK have agreements with SQA that recognise HNCs and HNDs as partial fulfilment towards their exams or membership entry requirements.

The newly-developed HND in Counselling gives an example of our work with one such professional body to meet a real social need.

In 2017–18, 15,376 Higher National Certificates were awarded and 12,954 Higher National Diplomas were awarded.

Awards

SQA Awards are designed to provide certification for many different purposes, which may be broad or specialist. Awards can certify that the holder has attained a single-unit, or completed a specific programme or short course, or can recognise wider achievements and skills in areas such as employability and citizenship. In 2017–18, we issued certificates for 23,952 Awards.

National Progression Awards (NPAs) recognise defined sets of skills and knowledge in specialist vocational areas, ranging from digital technologies to beekeeping. In 2017–18, 13,506 NPAs were awarded.

Professional Development Awards (PDAs) are mainly aimed at those already in work who wish to improve their skills, and cover areas from management and leadership to working with children and in the construction industry. Like NPAs, they are linked to National Occupational Standards and sit on the Scottish Credit and Qualifications Framework at levels 6 to 12. In 2017–18, we issued certificates for 7,058 PDAs.

SQA also develops Customised Awards tailored to the requirements of particular employers and occupations. We have developed 362 awards for many different organisations, and in 2017–18 we issued certificates for 5,804 Customised Awards.

International engagement and co-operation

There is demand worldwide for SQA qualifications and services. We offer our qualifications through SQA centres in a wide range of countries. We also work in co-operation with governments and international bodies on projects to improve education, skills, and training.

Range of work

SQA continues to work with national governments and their agencies throughout the world in enhancing and improving education, skills, and training.

Areas of work include qualification framework development, the setting of skills standards, and qualification and assessment development.

Consultancy

The range and variety of our work can be explored via our [Consultancy Projects](#) page, which can be filtered by region and type of project.

Making connections

SQA hosted study visits in 2017–18 from delegations from the World Bank, the Department for International Development (DFID), and ministries of education from a number of countries. SQA has also attended trade missions to the Asian Development Bank in the Philippines and the World Expo in Kazakhstan.

Benefits of international engagement

SQA's international activities bring many benefits beyond the financial contribution they generate. They support the Scottish Government's international strategy and its plans to engage with specific countries, and the promotion of Scottish education and Scotland worldwide. SQA's engagement with international partners, organisations and agencies also ensures that we continue to enhance our expertise and skills. This contributes to attainment of Strategic Goal 3 of the Corporate Plan: 'Support the Scottish Government's agenda to maximise the benefits of international engagement and co-operation'.

Appointees

SQA's work necessarily involves the harnessing of skills, expertise, and time of many education professionals and specialists outside of the organisation. We are enormously grateful to these external appointees, who play many vital roles in the delivery and quality assurance of all SQA qualifications. People may be familiar with the concept of external markers and invigilators for National Qualifications, but we also have appointees recording scripts, reviewing and modifying question papers to ensure accessibility for visually impaired candidates, and creating and drawing maps for use in assessments.

In academic session 2016–17 we appointed or re-appointed 7,207 professionals for the writing, production, quality assuring, and marking of NQ assessments and question papers. In addition, we appointed 7,201 invigilators. In the same period, we received 619 applications for non-marker appointee roles, 199 of whom were successful in receiving a contract.

For our HN qualifications and SVQs, there are roles for course assessors and verifiers who ensure centres are delivering and assessing qualifications to the desired standard.

The vocational nature of many HNs, and particularly SVQs, demands that these qualifications maintain a rigorous compliance with industry standards. We therefore appoint experienced practitioners as verifiers to ensure that centres are delivering and assessing qualifications to the required standard.

Quality assurance

SQA's approach to quality assurance is based on partnership, fairness, and transparency, and is designed to support centres at all stages in their delivery of SQA qualifications. It starts with their approval as an SQA centre, which ensures they have all the required systems and processes in place, and approval to offer a particular qualification, and continues through to delivering the qualification to candidates, and certification. SQA and centres running SQA qualifications have a shared responsibility for quality assuring the internally-assessed elements of the qualifications.

Qualification verification is the process by which SQA ensures that centres are assessing their candidates in line with national standards, and that assessment decisions comply with SQA's quality assurance criteria. Qualification verifiers are experienced subject experts who are appointed by SQA to undertake qualification verification on SQA's behalf.

The figures in the following paragraphs refer to qualifications which were delivered and quality assured in the academic session ending in August 2017.

National Qualifications

SQA works in partnership with local authorities, and schools and colleges, to support teachers and lecturers throughout the assessment cycle to ensure assessment standards for National Qualifications are met. In 2016–17 there were 1,291 selections for verification. Of these, only 14% had outcomes that required further support to ensure centres could present

candidates for certification. Following support and intervention, except for one centre, for one subject, the remaining NQ centres met quality assurance standards and were able to proceed to certification as planned.

Higher National Qualifications

Higher National Qualifications were verified throughout the academic session that ended in August 2017. A total of 559 verification events for Higher National Units and 399 HN Graded Unit verification events were completed. For the 958 HN verification reports issued, 183 outcomes did not initially meet national standards, and follow-up activity and support was provided to centres to help them reach compliance and resulting certification.

Vocational qualifications

All vocational qualification verification in 2016–17 amounted to 1,679 events. National standards were fully met at 1,555 of these events, but 124 events had outcomes that did not meet national standards.

To promote and maintain understanding of standards, SQA provides materials and supports professional development events for lecturers, trainers and instructors both within Scotland and internationally, for all qualifications. Support is distributed more widely through newsletters, materials and online courses, which are made available via its websites.

We carried out a review of college delivery of our HN and other vocational qualifications in the 2016–17 session, gathering feedback from SQA staff, from those attending the SQA co-ordinator college event, and from the SQA/College Quality Focus Group. We have implemented changes based on the review during this reporting year. For example, colleges are now automatically notified through an online system when external verifiers agree to make a vocational verification visit, which makes co-ordination of visits easier. The reporting documentation we give to centres after a visit has also been improved to make the outcomes and actions clearer. We have provided guidance and training to our external verifiers on these changes.

SQA Change Programme

Work has continued over the past year on our overall SQA Change Programme, in ongoing efforts that underline our commitment to Strategic Goals 1, 2, 5 and 6.

This activity is steadily laying the foundations for more robust, effective, and scalable operations. In line with the Scottish Government's Digital First initiative, SQA's Change Programme is using technology to drive improvements in service delivery, ensure better and more responsive communication with our customers, create efficiencies in our processes, and ultimately make it easier to do business with us.

As part of our Customer Channels project, we are using customer and stakeholder feedback to ensure simpler, more effective interaction with SQA for learners and customers.

Our Business Systems team delivered several strategic projects in 2017–18. The success of these takes SQA closer to achieving its 2020 Digital Vision, in which we aim to digitally transform our organisation through efficient, scalable, and enabling approaches.

In line with the Scottish Government's Cyber Resilience Strategy for Scotland: Public Sector Action Plan, 2017–18, we continue to make progress with cyber security initiatives and enhancements. In October 2017, SQA achieved Cyber Essentials accreditation, which recognises that we have met the Scottish Government's cyber security requirements.

One of the year's key projects was the development of a new system for our Street Works qualifications. We invested in sophisticated, modern technologies to ensure future-proofed capability, which will allow SQA to make system modifications in line with legislative changes.

In the past year, SQA has moved to a new finance system. Meanwhile, the next phase of the corporate business systems project is underway; this will give us more detailed insight into our costs — such as staff and appointee expenditure, and the costs of creation and maintenance of our qualifications. It will also allow us to replace the previous system entirely, while easing the burden on our Awards Processing System, which holds critical information about candidates, centres, and qualifications.

Work continues on integrating SQA.net data exchange services into SQA Connect, which is the main online point of interaction between SQA and centres such as schools, colleges and training providers. The services essentially do the same job as before, so centres will, for example, be able to exchange files with us, or search for information on our qualifications, but the real gain is that we now have a more stable platform, improved performance times, and a mobile-compatible and single sign-on service — all in a system that meets the accessibility rules of the 2010 Equalities Act. Risks from systems failure have also been significantly reduced.

Accreditation

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

Throughout April 2017 to March 2018, SQA Accreditation continued to ensure that qualifications were available from a variety of awarding bodies that fully support the needs of Scotland's learners — particularly those undertaking Modern Apprenticeships.

SQA Accreditation carried out significantly more audits and provider monitoring in 2017–18 compared to the previous year, as can be seen from the table below:

	2016–17	2017–18
Audits	17	24
Provider Monitoring Reports	15	27
Provider Monitoring visits	28	53

One new organisation, EduQual, was approved as an awarding body in 2017–18, and there were enquiries from 20 organisations seeking information on how to become an approved awarding body.

At the end of the period covered by this report, SQA Accreditation had a total of 827 accredited qualifications — 35 fewer than 2016–17. The breakdown of accredited qualifications is as follows:

- ◆ Scottish Vocational Qualifications (SVQs): 525
- ◆ Regulatory and Licensing qualifications (R&L): 34
- ◆ Other qualifications (such as competence-based qualifications): 268

During 2017–18, no sanctions were raised against awarding bodies, and one awarding body that had had a sanction raised against it in 2016–17 was successful in having this lifted.

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

Equalities

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

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

Public body responsibilities

SQA continues to make progress towards integrating equality in the development of its policies and activities. The [SQA Equality Mainstreaming Report 2015–17](#), published in April 2017, provided an update on the progress made in the previous two years towards ensuring that equality is integral to everything we do. In the light of this report, together with feedback from and consultation with staff and external stakeholders, and statistical evidence, [SQA's Equality Outcomes](#) have been updated for the period 2017–21.

We have identified actions from our Equality Strategy 2013–17 that have been completed or mainstreamed (ie have become 'business as usual' activity), which has reduced the number of its equality outcomes for 2017–21 because of the progress that has been made. These outcomes set out the contributory actions SQA will take to meet the needs of its diverse communities — SQA learners, customers, employees and appointees.

Raising awareness

We held a number of events during the year to raise awareness of and learn more about disability. These included presentations during UK Disability History Month (22 November–22 December 2017) to inform staff about our commitments as a Disability Confident

Employer. Autism Awareness presentations were given by Callum McCrosson of the National Autistic Society at Lowden in October 2017 and at Optima in March 2018, to raise awareness of the autism spectrum.

In October 2017, SQA held an Equality, Diversity, and Inclusion event in our office in Lowden, with a range of speakers from Volunteer Midlothian, the National Autistic Society, Edinburgh Interfaith Association, Who Cares? Scotland, and the Scottish Trans Alliance. The feedback from staff was very positive and will inform future events.

In October and November 2017 we held a two-week campaign to promote awareness of the importance of equality monitoring, and the protected characteristics that are included in current legislation.

We have also established a Disability Network, to raise awareness of different disabilities and health conditions, and the impact these can have on general day-to-day living and wellbeing, and how we can support people with disabilities and health conditions in SQA.

Equalities in qualifications

The annual Equality Monitoring Report, providing an update on some key aspects of the equality work undertaken in SQA's Qualifications Directorate, was presented to SQA's Qualifications Committee in November 2017. This report outlined how SQA has continued to make good progress towards integrating equality in qualification development policies and activities. SQA's Equality Steering Group, its Qualifications Directorate Equality sub-group, and the Equality and Inclusion Key Partners Group monitor and record SQA's progress.

A thematic review of equality and inclusion in qualification design, assessment and quality assurance was carried out in August 2016. In 2017–18, activities resulting from the review included further research into the impact and implications of increased use of ICT and assistive technologies in SQA external assessments, research into the impact of specific assessment arrangements, and work on improving and enhancing the current annual programme of audit visits to quality assure assessment arrangements.

Accreditation

SQA Accreditation continues to mainstream equality into its existing practices. This includes the work it does with approved awarding bodies to review their policies and practices and ensure that these give due regard to equality of opportunity.

SQA's Stonewall Workplace Equality Index submission

The Stonewall Workplace Equality Index (WEI) measures an employer's performance and progress on LGBTI inclusion in the workplace. By opting to use this framework, SQA is demonstrating its commitment to LGBTI equality, to our SQA colleagues, and to our customers.

SQA has risen dramatically through the ranks of the WEI. In two years, SQA rose from 345th to 212th place out of 433 submitting organisations.

SQA as a corporate parent

SQA continues to fulfil the commitments set out in its [Corporate Parenting Plan 2015–18](#). On results day, August 2017, SQA once again held a celebration event to recognise and acknowledge the ambition and achievements of our care-experienced young people. Members of the SQA Board of Management, John Swinney MSP, Deputy First Minister of Scotland and Education Secretary, and the Who Cares? Scotland team joined the celebration.

A number of SQA staff again volunteered in December 2017 to support the Who Cares? Scotland Christmas Campaign to make Christmas Day memorable for some young people in Scotland who would otherwise have spent the day on their own.

We provide new and existing staff with corporate parenting training through SQA Academy to raise awareness and understanding of the experiences of looked-after children. In March 2018, we published our first [Corporate Parenting Report for 2015–18](#), along with a more concise [Corporate Parenting booklet](#).

Employee engagement

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

Communication and feedback

The most recent staff survey, conducted in early 2017, found that 86% of respondents agreed that they understood how their work contributed to SQA's corporate strategies and goals.

Our Chief Executive presents progress updates and key strategic messages in quarterly 'All Staff Briefings', which are attended by over 330 staff each quarter, and staff are also invited to smaller, more frequent informal meetings where they are encouraged to discuss issues affecting their work.

We also run Staff Information Programmes, which consist of regular presentations and workshops held by staff from across SQA to inform and engage others with their work. On average, there are four topics per month, and each workshop is attended by 20–30 staff.

SQA encourages line managers to facilitate and empower staff, and we offer a line management programme, with particular attention paid to new managers. Twice each year, managers carry out Performance Management Reviews (PMRs) to ensure staff have clear objectives, receive regular performance feedback, and have their development needs addressed. In the 2017 Staff Survey, 75% of staff believed that their line manager supported them in achieving their objectives, and 90% agreed that their line manager makes themselves available when needed.

Employee voice

Employees' views are sought in a variety of ways on an individual and collective basis. The internal communications strategy has been designed to improve communications and engagement, with the intention of both informing staff and acting as a feedback mechanism, encouraging promotion of work activities and achievements. Two monthly in-house newsletters, *Business Inform* and *Social Inform*, provide staff with a platform to share and contribute to corporate, business area and individual news. On average, *Business Inform* is viewed by 700 unique individuals, while *Social Inform* is viewed by 550.

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

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

Financial model

As we noted in the description of our business model in the overview above, profit is not the principal driver of SQA's activities, though many of our activities do generate significant income. Our comprehensive portfolio of qualifications supports the people of Scotland across a broad range of academic and vocational sectors. Schools, colleges, and training providers pay for the services they receive from SQA on the basis of a qualification entry fee charged for each candidate. At the same time, there are SQA qualifications and awards which support key sectors of the economy and culture of Scotland, but which may have low uptake. The entry fees we charge do not cover the costs of developing and delivering such qualifications.

The prices charged for services in Scotland are agreed with Scottish Ministers and have been held constant since 2010. The past year, 2017–18, is the fifth year of an arrangement made by Scottish Government with local authorities whereby SQA charges a fixed amount for the delivery of National Qualifications. The fixed charge, which does not cover the costs of delivery, is based on the volume of candidate entries submitted by local authorities in 2012–13.

SQA has the potential to generate other income through the provision of awarding services, consultancy work, and commercial contracts in markets outside Scotland. We have delivered a number of projects on behalf of other organisations, institutions, and government services in the UK and internationally. By taking advantage of these opportunities, SQA can reduce its dependency on the public purse, and reduce the level of grant required from the Scottish Government, in line with Strategic Goal 7.

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

SQA's statutory responsibilities

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

Data requests

The number of freedom of information (FOI) requests increased to 176 in 2017–18 (from 146 in 2016–17). SQA received 66 subject access requests in 2017–18, up from 55 the previous year. All requests for personal information, and 99% of FOI requests, were dealt with within the required timescales.

GDPR

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. We have updated our Privacy Statement, which lets candidates, appointees, and others know what we do with their personal data. We have reviewed and updated all forms to ensure that anyone providing us with personal information is told at the point of collection what we will do with it. We have checked that our own systems provide secure storage for personal data, and that those of our suppliers also do so. We have reviewed our internal processes to ensure they meet the mandatory requirement for 'privacy by design and default'.

Procurement

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

In 2017–18, the Procurement Department operated at a net saving of £2.6m (including the savings achieved by using Scottish Government frameworks). These savings were achieved from competitive bidding activities, cost avoidance and efficiencies.

The Procurement Department has two supported business contracts in place; this exceeds the Scottish Government expectation of one contract per annum to this sector. SQA currently has two service contracts, for security and catering, both of which pay living wage.

Anti-corruption and anti-bribery

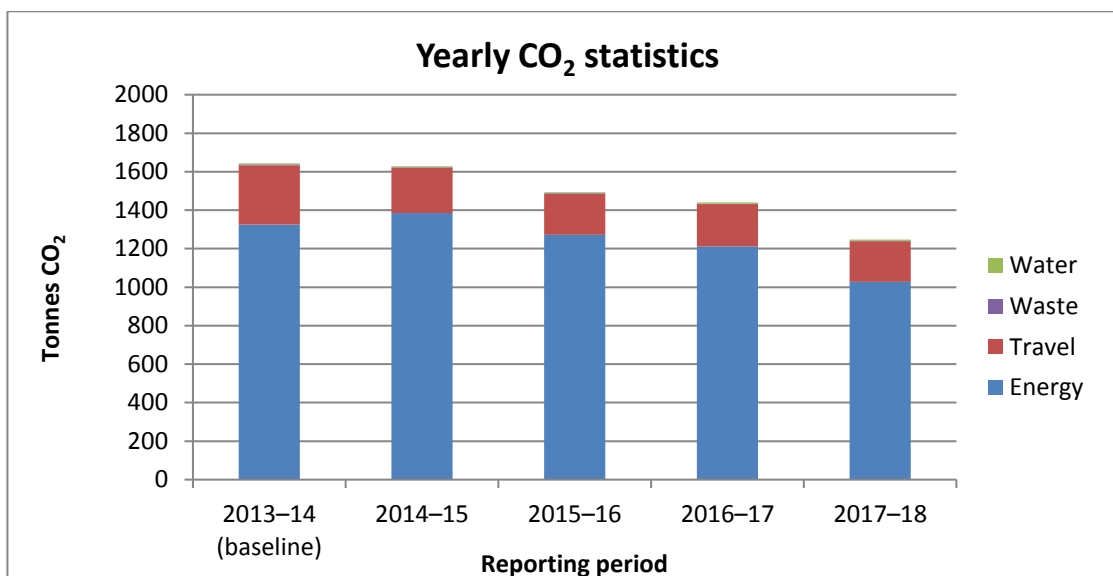
SQA has a Code of Conduct for all employees, which seeks to foster public service values. There are also specific Anti-fraud and Anti-bribery and Corruption policies in place to ensure that all SQA employees understand their responsibilities in this area, and that prompt action is taken in the event that financial irregularity is suspected. During 2017–18 there were two instances of suspected financial irregularity identified and investigated in line with SQA's Anti-fraud policy and fraud response plan.

Environmental performance

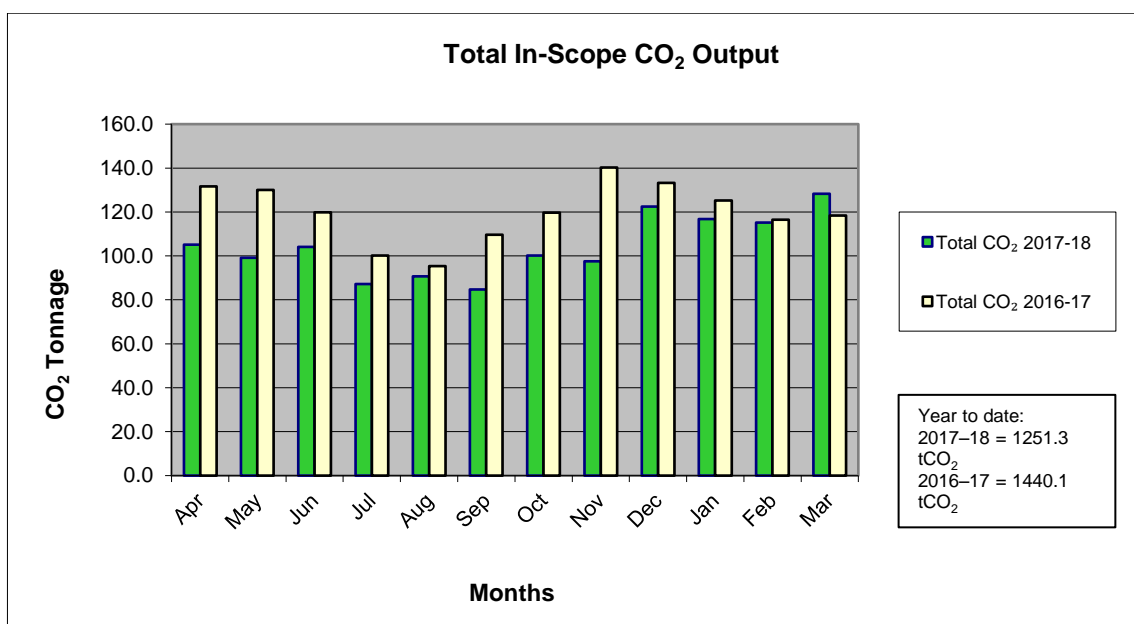
Carbon emissions

All responsible businesses seek to minimise their impact on global warming, and SQA has worked to reduce our carbon emissions from 1,440 tonnes of carbon dioxide equivalent (tCO₂e) in 2016–17 to 1,251 tCO₂e* in 2017–18, a reduction of 13%, and 31% lower than the baseline year.

* Estimated figure for March 2018 as not all figures were available at time of writing.



Current total emissions are below last year's levels for almost all months.



Recycling

Overall waste is down 1% on 2016–17, and we aim to put as little as possible in landfill. The majority of SQA's waste is now recycled in some way, as the figures for 2017–18 show:

Waste	Total (kg)	% of all waste
Confidential recycling	42,989	58%
Dry mixed recycling	15,770	21%
General waste (non-recycled)	7,668	10%
Food waste	7,280	9%

Food waste is sent for anaerobic digestion, and converted into biogas and fertiliser. Most of our other non-recyclable waste serves as refuse derived fuel (RDF), which goes to waste-fuelled power plants. As a result, only a small amount of residual waste is sent to landfill.

All SQA's own IT equipment is recycled when it is no longer of use to us, and up to 75% of the materials can be reused. This is done by local social enterprise Haven Recycle, who provide employment to disabled and disadvantaged adults.

Financial performance

Financial overview

The results for the year to 31 March 2018 are contained in the attached accounts (see section C), which have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM).

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

Given the budget pressures facing the organisation, the financial position in 2017–18 had to be closely managed throughout the year in partnership with the Scottish Government. SQA met its target with the operational outturn position being in line with the original budget.

Performance against Departmental Expenditure Limit (DEL) in 2017–18

Performance	Final DEL £m	Actual drawdown £m	(Under allocation) £m
Resource DEL	28.208	28.204	(0.004)
Capital DEL	2.325	2.325	nil
Total DEL	30.533	30.529	(0.004)
Ring-fenced DEL	1.900	0.000	(1.900)
Total	32.433	30.529	(1.904)

The total deficit for 2017–18 was £5.9m, which resulted from total net expenditure of £35.3m less depreciation of £1.2m, together with total grant funding income, excluding capital grants, of £28.2m. The operating deficit of £5.9m includes a £5.3m International Accounting Standard (IAS) 19 pension cost in excess of cash contributions. Post-employment benefits (pensions) are accounted for using IAS 19. Each year, an actuarial calculation is carried out and SQA must make provision on our Statement of Comprehensive Net Expenditure to reflect its share of the movement in overall provision. SQA surplus for pensions in 2017–18 was £33.627m, with the previous year seeing a deficit of £18.141m. Full supporting information and calculations are in note 3 to the accounts.

Income

SQA's income is generated from charging for the delivery of its products and services. Total income of £48.7m was earned in 2017–18, being entry charges of £41.8m (2016–17 £41.9m) and other income of £6.9m (2016–17 £10.5m).

Expenditure

Operational costs were £83m, being staff costs £41.6m (2016–17: £35.4m); other expenditure £40.2m (2016–17: £39.4m); and depreciation £1.2m (2016–17: £0.8m).

The increase in staff costs is attributable partly to an increase in IAS 19 pension costs of £3.2m, with the remainder of the increase in relation to an increased headcount during the year, coupled with an increase in the costs of wages and salaries from the impact of the pay award, in line with Scottish Government pay policy.

Other expenditure increased by £0.9m from 2016–17, mainly because a one-off provision of £1.4m had been released in 2016–17 as no longer required.

Depreciation charged in year has increased by £0.354m, mainly due to an increase in capital expenditure over the past two years.

Property, plant and equipment

Expenditure on capitalised property, plant and equipment during the year totalled £0.795m, which was used to purchase IT hardware £0.517m, furniture and fittings £0.182m, plant and machinery £0.058m, and motor vehicles £0.038m.

Intangible assets

Expenditure on capitalised intangible assets during the year totalled £1.522m. This was used to purchase IT software (£0.330m) and to develop assets under construction (£1.192m), which mainly consist of new system implementations.

Auditors

The accounts, for the year ended 31 March 2018, are audited by Audit Scotland, who were appointed by the Auditor General for Scotland. Further details on audit remuneration can be found in note 4 to the Accounts.

Disclosure of information to auditor

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

Public Services Reform (Scotland) Act 2010

Statements of expenditure for 2017–18 in relation to the following can be found on SQA's website:

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

Supplier payment policy

SQA aims to pay suppliers within 10 days of receipt of a valid invoice, and SQA achieved 83% of this aim in 2017–18 (98% 2016–17). This reduction in payment terms was attributable to the impact of the implementation of the new finance system during Q3 of the year.

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority
21 September 2018

B: Accountability Report

Corporate governance

Directors' Report

Directors and their interests

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

Chair

David Middleton (*from 1/9/2017*)

Graham Houston (*to 31/8/2017*)

Chief Executive

Dr Janet Brown

Non-Executive Board Members

Eleanor Craig

Seán Hagney

Jane Handley

Dr Wendy Mayne

Hamish McKay

Raymond O'Hare

Roger Stewart

Dr Paul Thomson

Carole Wilkinson

Executive Management Team

Jean Blair

Maidie Cahill

Lee Downie (*from 31/7/2017*)

Linda Ellison

John McMorris

Dr Gill Stewart

Stuart Davidson (*to 19/5/2017*)

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

Conflict of interest procedures

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

Personal data-related incidents

Section 5.3.9 of the Government Financial Reporting Manual (FReM) requires that organisations report on personal data-related incidents. In 2017–18, we had one reported personal data incident. This incident involved the issue of bulk e-mails which were sent to all

recipients. The investigation and decision by the Information Commissioner's Office (ICO) is pending.

Statement of the Accountable Officer's responsibilities

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

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM), 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 FReM have been followed, and disclose and explain any material departures in the accounts
- ◆ prepare the accounts on a going-concern basis

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

2017–18 Governance statement

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

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

Scope of responsibility

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

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

Purpose of the system of internal control

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

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 2018 and up to the date of approval of the Annual Report and Accounts.

Governance and management structures

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

Sponsor

SQA is sponsored by the Scottish Government Learning Directorate. As Accountable Officer, I and members of the Executive Management Team meet regularly with Ministers and/or colleagues at the Scottish Government, to provide an update on the organisation's progress.

These meetings include discussion on matters such as policy development, performance, risks, and financial position. A representative of our sponsor department attends meetings of the Board of Management as an observer. Copies of Board and committee papers are also issued to our sponsor department.

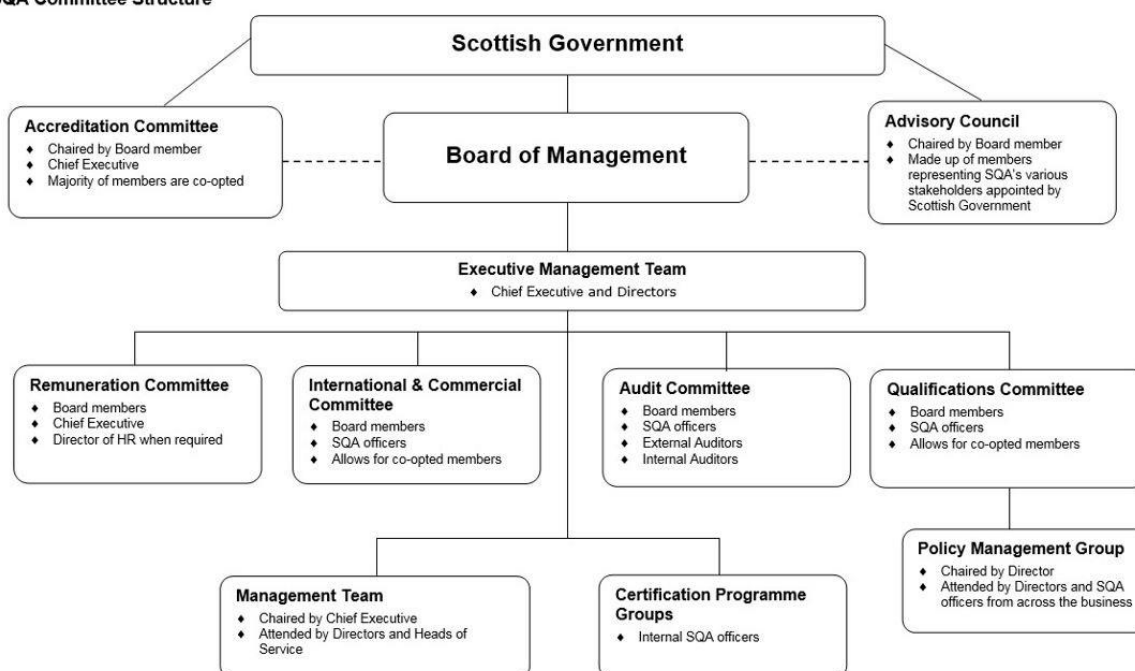
Board of Management

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

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

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

SQA Committee Structure



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

The Advisory Council's primary role is to consider and advise SQA on the needs and views of our stakeholders in relation to our qualifications and awards. This advice helps us to

develop, maintain, and deliver our portfolio. The Advisory Council comprises Roger Stewart (Convenor), Dr Paul Thomson, Seán Hagney, Sonia Kordiak, Eric Lumsden, Helen Martin, Gordon McGuinness, Lyndsay McRoberts, Eileen Prior, Steven Quinn, Jenny Rees, Lorna Trainer, and Andy Wright. Further information on the remit and membership of [SQA's Advisory Council](#) can be found on SQA's website.

The [Accreditation Committee \(AC\)](#) meets in January, March, June and September. [AC members](#) come from training and industry; their input helps us ensure that we meet the needs of Scottish industry and those tasked with delivering SQA accredited qualifications. AC discusses strategic issues which impact on our work. This includes Scottish and UK Government policy, the work of other qualifications regulators, and educational development overseas. AC comprises Carole Wilkinson (convenor), Valerie Mann (vice convenor), Martin Hunter, Tracy Bryant-Shaw, Paul Campbell, Sheena Greco, Janet Brown, Jane Handley, Jenny Rees, Lisa Connell, George Jamieson, and Angela Newton. Further information regarding the AC members and the [minutes](#) of AC meetings are publicly available on the SQA Accreditation website.

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

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

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

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

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

Board of Management	7
Audit	4
International	3
Qualifications	5
Advisory Council	4
Accreditation	4
Remuneration	2

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

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

Assessment of corporate governance

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

Internal audit

Following a procurement exercise, Scott-Moncrieff has been contracted to provide SQA's internal audit service for a further three years. A three-year strategy and plan has been developed for 2018–21 which, together with the 2018–19 Audit Plan, was approved by our Audit Committee in February 2018. The plan is subject to ongoing and annual review to ensure that it reflects changes in business requirements and takes account of any changes in SQA's risk profile. The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes, and to monitor progress with the implementation of agreed actions to address areas for improvement. SQA is committed to continuous improvement and to the timely implementation of agreed audit actions.

Scott-Moncrieff undertook a total of 11 internal audits in 2017–18.

Specifically, these were: Income Generation, Appointee Payments and Expenses, Security of Qualification Material, Governance of Major Projects & Programmes, IT Systems Review (SQA Connect), ISO 27001 – IT Controls, eRecruitment Process, Corporate Performance management, Financial Systems: Data Migration (Phase 1), Financial Systems: Data Migration (Phase 2), and GDPR Health Check, in addition to follow-up reviews to assess the extent to which management has implemented agreed audit actions.

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

The in-house auditors conducted audits relating to SQA's certification to ISO 27001 (Information Security) in the areas of Contract Services and Assessment Development and Delivery: NQ Assessment, and ISO 9001 (Quality Management) in the areas of Contract Services and Accreditation.

Internal controls

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

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

Planning and performance framework

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

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

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

Programme management

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

Risk management framework

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

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

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

SQA's Audit Committee undertakes a Strategic Risk Workshop to consider existing risks and new risks that the organisation could face in the future. The 2017–18 Risk Workshop was undertaken in partnership with the Board during a wider Strategic Planning session. Any additional factors or risks identified were incorporated into the Corporate Risk Register. During 2017–18 the SQA Corporate Risk Register continued to reflect the principal areas of risk for the organisation to ensure successful delivery of our wide range of qualifications.

It is a feature of our current funding model that, as recognised in the Scottish Government's Budget Allocation and Monitoring Letter, SQA will generally require additional core grant-in-aid to meet operational costs. While this entails the potential financial risk of SQA approving future spending commitments in the absence of identified budget allocations, the Scottish Government recognises this, and has stated its intention 'to ensure that the SQA remains a viable organisation', in order to deliver its core services.

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

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

Compliance with policies, procedures, laws, and regulations

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

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

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

Safeguards against losses

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

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

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 financial irregularity is suspected. During 2017–18 there were two instances of suspected financial irregularity identified and investigated in line with SQA's anti-fraud policy and fraud response plan.

Integrity and reliability of information and data

SQA engages with the Scottish Government Data Handling Team, to report risks relating to corporate data, in accordance with guidelines. SQA has a reporting structure for information security incidents. During 2017–18, we had one reported personal data incident. This incident involved the issue of bulk e-mails which were sent to all recipients. The investigation and decision by the ICO is pending.

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

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

Efficiency, effectiveness, and economy

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

Review of effectiveness

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

- ◆ Certificates of Assurance signed by each Director who reviews the internal control checklists and certificates of assurance completed and signed by heads of service in their directorates
- ◆ the senior management within the organisation, who have responsibility for the development and maintenance of the internal control framework
- ◆ the work of the internal auditors, who submit regular reports to the SQA's Audit Committee which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control, together with recommendations for improvement
- ◆ Scott-Moncrieff's internal audit opinion, which gives reasonable assurance
- ◆ comments made by the external auditors in their management letters and other reports

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

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

Dr Janet Brown

Accountable Officer and Chief Executive

Scottish Qualifications Authority

21 September 2018

Remuneration and Staff Report

SQA's staff

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

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

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

Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Public Pensions Agency (SPPA). Both schemes are career average schemes (as of 1 April 2015). Employee contributions are based on actual pay as at 1 April for both the LGPS and STSS (see below). For 2017–18, employer's contributions of £4,870,808 were payable in total. These contributions were based on 19.3% for LGPS pensionable pay, and 17.2% for STSS 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 2017–18

Pay tranche	Contribution rate paid on that tranche
Up to and including £20,700	5.50%
Above £20,700 and up to £25,300	7.25%
Above £25,300 and up to £34,700	8.50%
Above £34,700 and up to £46,300	9.50%
Above £46,300	12.00%

Scottish Teachers Superannuation Scheme contribution rates 2017–18

Full-time equivalent pensionable pay	Contribution rate
Up to and including £26,259	7.2%
£26,260–£35,349	8.7%
£35,350–£41,914	9.7%
£41,915–£55,549	10.4%
£55,550–£75,749	11.5%
£75,750 and above	11.9%

SQA's Non-Executive Board

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

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

Remuneration Committee

The Remuneration Committee sets the annual performance plan for the Chief Executive and recommends an annual pay award and bonus, where relevant, to the Scottish Government. The Committee meets a minimum of once a year. The members of the Committee during 2017–18 were:

Ms Carole Wilkinson (SQA Board Member and Convenor of the Remuneration Committee)
Mr Graham Houston (SQA Chairman and Member of the Remuneration Committee) *
Mr David Middleton (SQA Chair and Member of the Remuneration Committee) **
Mr Roger Stewart (SQA Board Member and Member of the Remuneration Committee)
Dr Janet Brown (SQA Chief Executive and Officer of the Remuneration Committee)
Ms Maidie Cahill (SQA Director and Officer of the Remuneration Committee)

* Term of appointment ended on 31.08.2017

** Term of appointment commenced on 01.09.2017

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.

	2017–18				2016–17			
	Salaries and other payments	Benefits in kind	Pension accrued in year	Total	Salaries and other payments	Benefits in kind	Pension accrued in year Restated	Total
	£'000	£	£'000	£'000	£'000	£	£'000	£'000
Chair								
Graham Houston *	5–10	–	–	5–10	10–15	1,500 ¹	–	15–20
David Middleton **	10–15	100 ¹	–	10–15	–	–	–	–
Chief Executive								
Dr Janet Brown	125–130	–	51	180–185	125–130	–	47	170–175
Non-Executive Board Members								
Eleanor Craig	0–5	1200 ¹	–	5–10	0–5	500 ¹	–	0–5
Seán Hagney	0–5	600 ¹	–	5–10	0–5	300 ¹	–	0–5
Jane Handley	0–5	300 ¹	–	5–10	0–5	100 ¹	–	0–5
Dr Wendy Mayne	0–5	200 ¹	–	0–5	0–5	100 ¹	–	0–5
Hamish McKay	0–5	400 ¹	–	5–10	0–5	100 ¹	–	0–5
Raymond O'Hare	0–5	300 ¹	–	5–10	0–5	200 ¹	–	0–5
Roger Stewart	0–5	900 ¹	–	5–10	0–5	600 ¹	–	5–10
Dr Paul Thomson	0–5	600 ¹	–	5–10	0–5	300 ¹	–	5–10
Carole Wilkinson	0–5	200 ¹	–	0–5	0–5	200 ¹	–	0–5
Directors								
Jean Blair	85–90	–	63	150–155	85–90	–	45	125–130
Maidie Cahill	90–95	–	37	125–130	85–90	–	34	120–125
Stuart Davidson ***	10–15	–	4	15–20	85–90	–	29	115–120
Lee Downie ****	65–70	–	20	85–90	–	–	–	–
Linda Ellison	65–70	–	–	65–70	65–70	–	–	65–70
John McMorris	90–95	–	41	130–135	90–95	–	36	125–130
Dr Gill Stewart	95–100	–	86	180–185	90–95	–	36	130–135
Band of highest paid director's total remuneration	125–130				125–130			
Median total remuneration	28,317				28,002			
Ratio	4.5				4.6			
Staff remuneration range	16,550 – 125–130				16,150 – 125–130			

Median total remuneration is the remuneration of the employee that falls in the middle of SQA pay bands (excluding the highest paid employee). This is expressed as a ratio in comparison to the highest paid Director.

The total emolument of all directors, non-executive directors and the chair was £826,000 (2017: £809, 000)

* Term of appointment ended on 31.08.2017

** Commenced appointment on 01.09.2017

*** S Davidson left SQA 19.05.2017. His full year equivalent salary was £85-90k.

**** L Downie commenced employment with SQA 31.07.2017. His full year equivalent salary was £90-95k.

There were no bonuses paid in 2017–18.

Benefits in kind are:

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

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

	Real increase in pension	Real increase in lump sum	Total accrued pension at 31 March 2018	Total accrued lump sum at 31 March 2018	Cash equivalent transfer value at 31 March 2017	Cash equivalent transfer value at 31 March 2018	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Dr Janet Brown	2.5–5	0–2.5	40–45	55–60	746	782	36
Directors							
Jean Blair	2.5–5	2.5–5	30–35	55–60	491	550	59
Maidie Cahill	0–2.5	0–2.5	30–35	45–50	585	643	58
Stuart Davidson	0–2.5	0–2.5	5–10	–	73	78	5
Lee Downie	0–2.5	0–2.5	0–5	–	–	14	14
John McMorris	0–2.5	0–2.5	15–20	5–10	176	202	26
Dr Gill Stewart	2.5–5	5–7.5	40–45	80–85	698	790	92

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

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

Staff Report

Number of senior staff (or equivalent) by band

Grade	2017–18 Number of staff	2016–17 Number of staff
Chief Executive	1	1
Director	6	6
Head of Service	33	33

Staff costs comprise:

	Executive Board Members £'000	Non- Executive Members £'000	Permanently employed staff £'000	Others £'000	2017–18 Total £'000	2016–17 Total £'000
Wages and salaries	646	65	26,845	2,243	29,799	27,117
Social security costs	81	2	2,587	–	2,670	2,383
Other pension costs	109	-	9,067	–	9,176	5,961
Severance and compensation	-	-	7	–	7	27,117
Sub-total	836	67	38,506	2,243	41,652	35,461
Less recoveries in respect of outward secondments	-	-	(59)	–	(59)	(19)
Total net costs	836	67	38,447	2,243	41,593	35,442

Average number of persons employed

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

	Permanent Staff	Others	2017–18 Total	2016–17 Total
Awarding and related activities	791	104	895	850
Accreditation	19	–	19	22
Scottish Survey of Literacy and Numeracy	0	0	0	6
Total	810	104	914	878

Staff composition

Grade	2018			2017		
	Male	Female	Total	Male	Female	Total
Chief Executive	–	1	1	–	1	1
Directors	2	4	6	2	4	6
Non-Executive Board Members	5	4	9	5	4	9
Senior employees	21	12	33	20	13	33
Other	341	581	922	307	539	846
Total headcount	369	602	971	334	561	895

Absence and turnover

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

In the year 2017–18 our sickness absence increased slightly by 0.08% from 4.06% in 2016–17 to 4.14%. We track the absence level against the public sector benchmark of 3.85%.

We track the retention level against the public sector benchmark of 9.40% turnover. SQA have been consistently below this benchmark. For the rolling 12 months (April 2017 to March 2018) the staff turnover average was 7.90%, with only 5 staff resigning during the first 12 months of their contract. For the 12 months prior to this no new starts left within the first 12 months of their contract.

Flexibility

SQA understands the benefits of flexible working practices for the organisation and its employees, and is committed to supporting work-life balance through support for flexible working arrangements for staff. It is part of our commitment to the Fair Work Framework, which we signed up to in 2016, and which we are leading in the public sector with many initiatives. Flexible working gives employees more options about how long, where and when they work. At the end of 2017–18, 12.68% of staff within SQA were on flexible working contracts. We also started tracking a proportion of the jobs we advertise with our ‘happy to talk flexible’ caption, and we will be able to report on this next year, once we have gathered enough data. SQA has been recognised by Family Friendly Working Scotland for our initiatives around flexible working.

Staff policies applied

SQA is a recognised Disability Confident Employer. We received renewed recognition in September 2017. The Disability Confident Employment Scheme replaced the Two Ticks ‘Positive about Disabled People’ initiative. SQA initially received Two Ticks Accreditation in July 2013. This means that the organisation has made a commitment to:

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

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

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

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

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

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

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

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

Other employee matters

SQA's gender pay gap as at April 2017 was 3.9% (ie average female salary was 96.1% of average male salary). The organisation published its [Equality Mainstreaming Report](#) in April 2017, which is available on the SQA website. The next report is due in April 2019.

SQA has a good and robust relationship with the trade unions. An organisational design process is currently being developed which includes a robust consultation process with staff and unions. A review of all HR policies has commenced in consultation with trade unions and, in addition, staff volunteers, as part of the organisation's drive to increase the employee voice in line with the Fair Working Framework.

SQA is also developing a talent management strategy, which will incorporate a workforce planning model and succession planning.

Trade unions

We recognise the importance of good industrial relations and effective communication with our staff. Our main vehicle for negotiation and consultation is the Joint Negotiating and Consultative Committee (JNCC), which meets on a monthly basis. The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on the 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. There are significant benefits to both employers and employees when organisations and unions working together effectively. SQA collate data on the total number of relevant union officials we employ, their working hours spent on facility time for trade union duties, and any paid time for trade union activities. The information required by the regulations are disclosed in the table below:

Relevant union officials

Number of employees who were relevant union officials during the relevant period	6
--	---

Full-time equivalent employee number	6
--------------------------------------	---

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1% – 50%	6
51% – 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£22,727
Total pay bill	£41,600 million
Percentage of total pay bill spent on facility time	0.05%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	6.32%
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Exit packages

There was one exit package during 2017–18.

	2018				2017	
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Cost of exit packages (£000)	Total number of exit packages by cost band	Cost of exit packages (£000)
Cost band						
<£10,000	0	1	1	7	0	0

Parliamentary and Accountability Report

Regularity of expenditure

There were no losses and special payments incurred by SQA in the year 2017–18.

Fees and charges

SQA receives the bulk of its income in charges for the delivery of its products and services. SQA charged £48.7m in 2017–18 (2016–17 £52.4m).

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

Income	2017–18 £'000	2016–17 £'000
Entry charges*	41,801	41,878
Other income**	6,927	10,500
Total fees	48,728	52,378

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

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

Special payments

During the year SQA settled a supplier claim relating to IT licences for £300,000, further information regarding to this is detailed in note 18.

Remote contingent liabilities

There were no contingent liabilities, other than those disclosed in note 18, at 31 March 2018 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

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

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the Annual Report and accounts of the Scottish Qualifications Authority for the year ended 31 March 2018 under the Education (Scotland) Act 1996. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017–18 Government Financial Reporting Manual (the 2017–18 FReM).

In my opinion the accompanying financial statements:

- ◆ give a true and fair view in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers of the state of the Scottish Qualifications Authority's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- ◆ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017–18 FReM; and
- ◆ have been prepared in accordance with the requirements of the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Scottish Qualifications Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standards, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going-concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- ◆ the use of the going-concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going-concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the Scottish Qualifications Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the Annual Report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

September 2018

C: Accounts 2017–18

Statement of comprehensive net expenditure

for the year ended 31 March 2018

	Note	2017–18 £'000	2016–17 £'000
Expenditure			
Staff costs		41,593	35,442
Depreciation and amortisation charges	8(ii)	1,196	842
Other expenditures	4	40,223	39,348
		<hr/> 83,012	<hr/> 75,632
Income			
Entry charges	5	41,801	41,878
Other income	6	6,927	10,500
		<hr/> 48,728	<hr/> 52,378
Net expenditure		(34,284)	(23,254)
Interest payable	7	(1,029)	(610)
Net expenditure after interest		<hr/> (35,313)	<hr/> (23,864)
Other comprehensive net expenditure :			
Actuarial gain/(loss) on defined benefit pension scheme			
	3	33,627	(18,141)
Total comprehensive net expenditure for the year		<hr/> (1,686)	<hr/> (42,005)

The notes on pages 68–92 form part of these accounts.

Statement of financial position

as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	8(i)	2,978	2,729
Intangible assets	9	3,201	2,565
Financial assets	11	113	245
Total non-current assets		6,292	5,539
Current assets			
Financial assets	11	-	126
Trade and other receivables	12	24,246	24,820
Cash and cash equivalents	13	3,312	2,511
Total current assets		27,558	27,457
Total assets		33,850	32,996
Current liabilities			
Trade and other payables	14	(10,106)	(9,796)
Total current liabilities		(10,106)	(9,796)
Non-current assets plus net current assets		23,744	23,200
Non-current liabilities			
Provisions for liabilities and charges	15	(445)	(430)
Defined benefit liability	3	(7,998)	(36,336)
Total non-current liabilities		(8,443)	(36,766)
Assets less liabilities		15,301	(13,566)
Taxpayers' equity			
Revaluation reserves		67	72
General reserve		15,234	(13,638)
Total taxpayers' equity		15,301	(13,566)

The accounts were approved by the Board of Management and were signed on 21 September 2018 on its behalf by:

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

The notes on pages 68–92 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2018

	Note	2017–18 £'000	2016–17 £'000
Cash flows from operating activities			
Net expenditure after interest		(35,313)	(23,864)
Adjustments for non-cash items			
Depreciation and amortisation	8(ii)	1,196	842
Loss on disposal of property, plant and equipment		236	138
Notional Optima rent		1,653	1,708
Movements in working capital			
Decrease/(Increase) in trade and other receivables		574	(1,167)
Increase in trade and other payables		310	(903)
Movements in provisions and long-term liabilities			
(Decrease)/Increase of provisions		44	16
Decrease in defined benefit liability cost		5,289	2,081
Net cash outflow from operating activities		<u>(26,011)</u>	<u>(21,149)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(795)	(207)
Purchase of intangible assets		(1,522)	(1,300)
Sale of financial assets		253	-
Net cash outflow from investing activities		<u>(2,064)</u>	<u>(1,507)</u>
Cash flows from financing activities			
Additional funding from Scottish Government	16	20,365	13,697
Government funding	16	6,186	6,955
Scottish Government capital funding	16	2,325	2,000
Net financing		<u>28,876</u>	<u>22,652</u>
Net (decrease)/increase in cash and cash equivalents in the period		801	(4)
Cash and cash equivalents at the beginning of the period		2,511	2,515
Cash and cash equivalents at the end of the period		<u>3,312</u>	<u>2,511</u>

The notes on pages 68–92 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2018

	Note	Revaluation reserves £'000	General reserve £'000	Total reserves £'000
Balance at 31 March 2016		67	3,991	4,058
Changes in taxpayers' equity for 2016–17				
Net (loss) on revaluation of investments	11(i)	5	-	5
Actuarial gain/(loss)	3	-	(18,141)	(18,141)
Unfunded benefits paid		-	16	16
Net expenditure after interest		-	(23,864)	(23,864)
Total recognised income and expense for 2016–17		5	(41,989)	(41,984)
Scottish Government funding	16	-	24,360	24,360
Balance at 31 March 2017		72	(13,638)	(13,566)
Changes in taxpayers' equity for 2017–18				
Net gain on revaluation of investments	11(i)	(5)	-	(5)
Actuarial gain/(loss)	3	-	33,627	33,627
Unfunded benefits paid		-	29	29
Net expenditure after interest		-	(35,313)	(35,313)
Total recognised income and expense for 2017–18		(5)	(1,657)	(1,662)
Scottish Government funding	16	-	30,529	30,529
Balance at 31 March 2018		67	15,234	15,301

The notes on pages 68–92 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

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

The accounts have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies set out in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of SQA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SQA for 2017–18 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Going concern

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

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

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

1.3 Property, plant and equipment

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

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

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

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

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

The threshold for capitalising assets is £3,000.

1.4 Depreciation

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

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

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

1.5 Intangible assets

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

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

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

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

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

1.6 Investments

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

1.7 Income recognition

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

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

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

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

1.8 Foreign exchange

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

1.9 Leases

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

There are no assets held under finance leases.

1.10 Financial instruments

Financial instruments are recognised in the statement of financial position when an obligation is identified, and released as that obligation is fulfilled. Cash, debtors, and creditors are held at cost. As SQA's income is derived mainly from public sector organisations, it is not subject to any significant liquidity risk exposure. Any cash held on

deposit is with highly rated banks and there is no significant interest-rate risk. SQA operates two bank accounts denominated in foreign currencies (Euro and US Dollar). Both of these are reconciled on a monthly basis, whereupon any gains or losses on their translation to GBP are taken to the statement of comprehensive net expenditure. Due to the low value of balances held in these accounts there is no significant currency risk to SQA.

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

1.11 Grants receivable

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

1.12 Provisions

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

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

1.13 Taxation

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

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

1.14 VAT

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

1.15 Pensions

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

Employer's contributions to the LGPS are accounted for under the requirements of IAS 19 'Employee Benefits' (see note 3).

The accounts have been prepared to reflect the inclusion of liabilities falling due in future years in respect of pension liabilities arising from the application of IAS 19 to SQA. Hymans

Robertson, the actuary to the pension scheme, has collated the information from the LGPS funds in which SQA participates, and has calculated the liability arising under IAS 19. The actuary to each of the LGPS funds in which SQA participates conducts a triennial review of the funding basis of the pension scheme, along with yearly reviews when appropriate. The last formal valuation of the funds was conducted as at 31 March 2017 and the next formal valuation is due at 31 March 2020. In preparing the projected pension expense for the year to 31 March 2018, the actuary has assumed employees continue to earn new benefits in line with the regulations as they currently stand and that the pensionable payroll remains stable with new entrants replacing leavers.

1.16 Changes in estimation techniques

There have been no material changes in estimation techniques.

1.17 Impending application of newly issued accounting standards not yet effective

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

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

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

2 Analysis of net expenditure by segment

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

Awarding and related activities

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

Accreditation activities

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

Scottish Survey of Literacy and Numeracy

The Scottish Survey of Literacy and Numeracy (SSLN) was funded by the Scottish Government. SQA was required to account separately for expenditure in this area. This project ended in 2016–17 and therefore no further expenditure will be incurred.

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

	Awarding and related activities £'000	Accreditation £'000	SSLN £'000	Total £'000
2017–18				
Staff costs	40,701	892	-	41,593
Depreciation	1,196	-	-	1,196
Other expenditures	40,065	158	-	40,223
Total expenditure	81,962	1,050	-	83,012
Entry charges	41,801	-	-	41,801
Other income	6,927	-	-	6,927
Scottish Government funding	29,479	1,050	-	30,529
	78,207	1,050	-	79,257
Funding credited to reserves	(29,479)	(1,050)	-	(30,529)
Total income	48,728	-	-	48,728
Net expenditure	(33,234)	(1,050)	-	(34,284)
2016–17				
Staff costs	34,165	927	350	35,442
Depreciation	842	-	-	842
Other expenditures	39,061	97	190	39,348
Total expenditure	74,068	1,024	540	75,632
Entry charges	41,878	-	-	41,878
Other income	10,500	-	-	10,500
Other capital funding	-	-	-	-
Scottish Government funding	22,796	1,024	540	24,360
	75,174	1,024	540	76,738
Funding credited to reserves	(22,796)	(1,024)	(540)	(24,360)
Total income	52,378	-	-	52,378
Net expenditure	(21,690)	(1,024)	(540)	(23,254)

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

3 Pension costs

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

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

Both schemes provide benefits based on final pensionable pay. Contributions during the year totalled £4,871,000 (2017: £4,452,000), consisting of £4,793,000 (2017: £4,361,000) to the LGPS Scheme and £78,000 (2017: £92,000) to the STSS Scheme. Included within other payables (note 14) are outstanding contributions of £554,000 (2017: £504,000) due to the LGPS Scheme and £10,000 (2017: £nil) due to the STSS Scheme at 31 March 2018. In 2018–19 total contributions to LGPS are expected to be £4,748,000.

Actuarial valuations for both schemes are prepared, with the last LGPS valuation to 31 March 2017 and the last STSS valuation being to 31 March 2012. Details of these valuations can be obtained from published reports.

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

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

The SQA is notified by both LGPS and STSS of the employer's contribution rates for each scheme. The LGPS, following a separate modelling exercise, has frozen employers' contribution rates at the 2011–12 level of 19.3% of pay until 31 March 2018. The STSS has set rates at 17.2% for 2017–18.

The following information relates to the Strathclyde LGPS.

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

	2017–18 £'000	2016–17 £'000
Current service cost	9,053	5,853
Interest on obligation	4,960	4,827
Expected return on plan assets	(3,960)	(4,238)
	<u>10,053</u>	<u>6,442</u>

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

Staff costs	9,053	5,853
Interest payable	1,000	589
	<u>10,053</u>	<u>6,442</u>

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

	2017–18 £'000	2016–17 £'000
Present value of funded obligations	(168,865)	(186,806)
Fair value of employer assets	161,156	150,766
Net (under) funding in funded plans	<u>(7,709)</u>	<u>(36,040)</u>
Present value of unfunded obligations	(289)	(296)
Net (liability)	<u>(7,998)</u>	<u>(36,336)</u>

Amounts in the statement of financial position:

Defined benefit liability	(7,998)	(36,336)
Net (liability)	<u>(7,998)</u>	<u>(36,336)</u>

	31 March 2018 £'000	31 March 2017 £'000
Movement in present value of defined benefit obligation		
Opening defined benefit obligation	187,102	135,811
Current service cost	9,053	5,853
Interest cost	4,960	4,827
Actuarial loss from change in demographic assumptions	225	-
Actuarial loss from change in financial assumptions	(10,025)	42,009
Other experience	(20,732)	14
Contributions by members	1,606	1,464
Benefits paid	(3,035)	(2,876)
Closing defined benefit obligation	<u>169,154</u>	<u>187,102</u>

	31 March 2018 £'000	31 March 2017 £'000
Movement in fair value of plan assets		
Opening fair value of plan assets	150,766	119,697
Contributions by employer	4,748	4,345
Interest income on plan assets	3,960	4,238
Contributions by members	1,606	1,464
Expected return on plan assets	3,095	23,882
Contributions in respect of unfunded benefits	16	16
Benefits paid	(3,035)	(2,876)
Closing fair value of plan assets	161,156	150,766

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

	31 March 2018				31 March 2017			
	Quoted prices in active markets £'000	Prices not quoted in active markets £'000	Total £'000	%	Quoted prices in active markets £'000	Prices not quoted in active markets £'000	Total £'000	%
Equity securities	37,175	98	37,273	23	55,335	29	55,364	37
Debt securities	5,057	-	5,057	3	-	-	-	-
Private equity	-	19,257	19,257	12	-	12,433	12,433	8
Real estate	-	14,591	14,591	9	-	18,188	18,188	12
Investment funds and unit trusts	52,899	15,784	68,683	43	1,751	57,343	59,094	39
Derivatives	3	-	3	-	(13)	20	7	-
Cash and cash equivalents	8,296	7,996	16,292	10	5,429	251	5,680	4
Total	103,430	57,726	161,156	100	62,502	88,264	150,766	100

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

	2017-18 £'000	2016-17 £'000
Actuarial gain/(loss) arising on the defined benefit obligation	30,532	(42,023)
Actuarial (loss)/ gain arising on the fair value of the plan assets	3,095	23,882
Actuarial gain/(loss) recognised in the statement of changes in taxpayers' equity	33,627	(18,141)

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

	2017–18	2016–17
	%	%
Pension increase rate	2.4	2.4
Salary increase rate	3.6	4.4
Discount rate	2.7	2.6

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

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

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

Change in assumptions at 31 March 2018:	Approximate % increase to employer	Approximate monetary amount (£000)
0.5% decrease in real discount rate	12%	19,508
0.5% increase in the salary increase rate	2%	3,977
0.5% increase in the pension increase rate	9%	15,164

The discount rate is derived from a corporate bond yield curve constructed from yields on high-quality bonds. The discount rate is then set based on SQA's weighted average duration of 21.8 years.

The salary increase assumption is 3.6% pa, which is set relative to the retail price index (RPI)/consumer price index (CPI) assumption at the reporting date.

The pension increase assumption is in line with the CPI. The CPI assumption is calculated as RPI less 1.0% pa.

4 Other expenditures

		2017–18		2016–17
	£'000	£'000	£'000	£'000
Appointee fees		13,497		13,687
Property expenses		5,513		5,320
IT costs		3,802		5,338
Appointee expenses and related costs		3,176		2,502
Business development specialists' fees and expenses		3,164		3,820
Staff travel	823		1,020	
Miscellaneous staff costs	650		295	
Staff subsistence	436		527	
Staff training	351		274	
Catering for internal and examination procedures meetings	56		45	
Staff related costs		2,316		2,161
Assessment stationery and certificates		1,908		1,372
Postage and telephone		1,791		1,681
PR, marketing and publications		1,446		1,756
Appointee release compensation		1,289		1,754
Miscellaneous		1,033		(956)
Question paper production and printing		679		301
Equipment and supplies		605		598
Board and committee expenses		4		14
		<u>40,223</u>		<u>39,348</u>

Included within Property expenses is a notional charge of £1,653,000 (2017: £1,708,000) for the annual rent of SQA's leasehold property at the Optima Building, Glasgow.

Included within Miscellaneous is £46,280 (2017: £45,580) relating to external audit fees.

Included within Miscellaneous is £236,000 (2017: £138,000) relating to the loss on disposal and impairment of intangible assets.

5 Entry charges

	2017-18 £'000	2016-17 £'000
National Qualifications:		
National Courses and Units	30,935	31,909
Post-results Services	340	333
	<hr/> 31,275	<hr/> 32,242
Higher National Qualifications	5,638	5,916
Scottish Vocational Qualifications	4,888	3,720
	<hr/> 41,801	<hr/> 41,878

6 Other income

Commercial testing services	5,428	6,297
Consultancy, secondments and research	565	3,220
Customised award charges	438	354
Replacement certificate charges	283	247
Royalty income	148	156
Miscellaneous income	29	180
Commercial events	20	12
Sale of publications	11	13
Income from investments for unfunded pensions	4	6
Other interest income	1	15
	<hr/> 6,927	<hr/> 10,500

Included within Other Income is £253,000 (2017: £nil) relating to the sale of investments.

7 Interest payable

Finance cost of discounted SQA unfunded pensions provision	(29)	(21)
Pension provision cost (note 3)	(1,000)	(589)
	<hr/> (1,029)	<hr/> (610)

8 Property, plant and equipment

(i)

	Leasehold building improvements £'000	Information technology £'000	Motor vehicles £'000	Plant & machinery £'000	Furniture & fittings £'000	Assets under construction £'000	Total £'000
Cost or valuation							
At 1 April 2017	5,810	3,922	94	505	37	-	10,368
Additions	-	517	38	58	182	-	795
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	(35)	(11)	-	-	(46)
At 31 March 2018	5,810	4,439	97	552	219	-	11,117
Depreciation							
At 1 April 2017	3,280	3,743	81	498	37	-	7,639
Charged in year	388	126	9	6	17	-	546
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	(35)	(11)	-	-	(46)
At 31 March 2018	3,668	3,869	55	493	54	-	8,139
Net book value							
At 31 March 2018	2,142	570	42	59	165	-	2,978
At 31 March 2017	2,530	179	13	7	-	-	2,729
Asset financing:							
Owned	2,142	570	42	59	165	-	2,978
Finance lease	-	-	-	-	-	-	-
Net book value at 31 March 2018	2,142	570	42	59	165	-	2,978

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

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

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

(ii) Depreciation and amortisation charges

	Note	2017–18 £'000	2016–17 £'000
Depreciation charge for the year	8(i)	546	474
Amortisation charge for the year	9	650	368
Total charge for the year		1,196	842

9 Intangible assets

	Web costs £'000	Licences £'000	Software £'000	Assets under cons £'000	Total £'000
Cost or valuation					
At 1 April 2017	203	1,363	8,568	1,960	12,094
Additions	-	-	330	1,192	1,522
Reclassifications	-	-	1,702	(1,702)	-
Impairments	-	-	-	(214)	(214)
Disposals	-	(60)	-	-	(60)
At 31 March 2018	203	1,303	10,600	1,236	13,342
Amortisation					
At 1 April 2017	203	1,326	8,000	-	9,529
Charged in year	-	15	635	-	650
Disposals	-	(38)	-	-	(38)
At 31 March 2018	203	1,303	8,635	-	10,141
Net book value					
At 31 March 2018	-	-	1,965	1,236	3,201
At 31 March 2017	-	37	568	1,960	2,565
Externally generated	-	-	1,965	1,236	3,201
	-	-	1,965	1,236	3,201

All capital additions in the year were funded by government grant.

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

10 Financial instruments

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

11 Financial assets

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Investments for unfunded pensions	11(i)	113	245
Current assets			
Investments for unfunded pensions	11(i)	-	126
		113	371

(i) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2016	368	-	368
Additions	-	131	131
Disposals	(126)	(5)	(131)
Revaluation	3	-	3
Market value at 31 March 2017	245	126	371
Additions	-	-	-
Disposals	(127)	(126)	(253)
Revaluation	(5)	-	(5)
Market value at 31 March 2018	113	-	113
Market value of investments maturing:			
Within 1 year	-	-	-
Outwith 1 year	113	-	113
Market value at 31 March 2018	113	-	113

12 Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due within one year:		
Trade receivables	4,332	5,534
Other receivables	59	42
Prepayments and accrued income	19,855	19,244
	<u>24,246</u>	<u>24,820</u>

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

Other central government bodies	24	46
Local authorities	270	32
NHS body	3	-
	<u>297</u>	<u>78</u>

Included within trade receivables is a bad debt provision of £85,000 (31 March 2017: £194,000). During the year, £51,000 of bad debt was written off (2017: £51,000).

Included within other receivables are loans to staff amounting to £50,000 (31 March 2017: £35,000).

13 Cash and cash equivalents

Balance at 1 April 2017	2,511	2,515
Net change in cash and cash equivalent balances	801	(4)
Balance at 31 March 2018	<u>3,312</u>	<u>2,511</u>

The following cash balances were held at 31 March 2018:

Government banking service	3,039	(44)
Commercial banks and cash in hand	273	2,555
	<u>3,312</u>	<u>2,511</u>

14 Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due within one year:		
VAT	30	27
Other taxation and social security	767	688
Trade payables	158	503
Other payables	642	576
Accruals and deferred income	8,509	8,002
	<hr/> 10,106	<hr/> 9,796

15 Provisions for liabilities and charges

SQA unfunded pensions	445	430
	<hr/> 445	<hr/> 430

(i) SQA unfunded pensions

	£'000
Balance at 1 April 2016	432
Provisions not required written back	-
Provisions utilised in the year	(22)
Unwinding of discount	20
Balance at 31 March 2017	<hr/> 430
Provisions not required written back	5
Provisions utilised in the year	(19)
Unwinding of discount	29
Balance at 31 March 2018	<hr/> 445

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

16 Government funding

	2017-18 £'000	2016-17 £'000
Scottish Government Scottish Survey of Literacy and Numeracy	-	540
Scottish Government accreditation	1,050	1,024
Scottish Government development	5,136	5,391
	<hr/> 6,186	<hr/> 6,955
Grant-in-aid	20,365	13,697
Capital funding	2,325	2,000
Notional funding	1,653	1,708
	<hr/> 30,529	<hr/> 24,360

17 Commitments under leases

Operating leases

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

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

	31 March 2018 £'000	31 March 2017 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,581	1,580
Later than one year but not later than five years	2,247	3,827
Later than five years	-	-
	<hr/> 3,828	<hr/> 5,407

The Scottish Government entered into a 15-year lease in October 2011 with the owners of Lowden in Dalkeith. This lease was subsequently extended to 2035 in September 2016. SQA is the tenant of the property, however, as there is no sub-lease in place, SQA pays the Lowden rent and service charges and is refunded in full by the Scottish Government. The treatment of this arrangement shows the cost of the Lowden rent included in property expenses (note 4) and the refund included in government funding (note 16).

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

	31 March 2018 £'000	31 March 2017 £'000
Obligations under operating lease for the following periods comprise:		
Land and buildings:		
Not later than one year	1,043	1,043
Later than one year but not later than five years	4,172	4,172
Later than five years	13,050	14,093
	<hr/> 18,265	<hr/> 19,308

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

There are no other operating leases.

Finance leases

There are no finance leases in operation.

18 Contingent liabilities

During the year SQA settled a supplier claim relating to IT licence usage which arose in the 2015–16 financial year. The value of this claim was approved and funded by Scottish Government and is included in the total in note 16.

During the year three employment related matters have arisen, any financial implications would be payable in 2018–19.

There were no other known contingent liabilities at 31 March 2018 (2017: £nil).

19 Events after the end of the reporting period

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

20 Related-party transactions

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

The Learning Directorate is regarded as a related party. During the year, SQA has had various material transactions with the Directorate (note 16). At the year-end, there were no balances outstanding (2017: £nil). In addition, SQA has had material transactions with other Scottish Government Directorates. At the year-end, there were no balances outstanding (2017: £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	
	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2018 £'000	2017 £'000
Glasgow Caledonian University SQA Board Member, Wendy Mayne, holds the position of lecturer there	6	7	5	4	-	-
Institute of Directors SQA Board Member, Raymond O'Hare, is a member there	-	-	11	-	-	-
Jordanhill School SQA Board Member, Dr Paul Thomson, holds the position of Rector at Jordanhill School	55	54	-	7	1	2
Newbattle Abbey College Trust SQA Board Member, Hamish McKay, holds the position of Part-time Secretary there	4	-	-	-	-	-
NHS Education for Scotland SQA Board Member, Carole Wilkinson, holds the position of Non-Executive Board Member there	8	17	-	-	3	-
Scottish Police Authority Former SQA Chairman, Graham Houston, is a Board Member there	57	28	-	-	-	(2)
Stirling Council Former SQA Chairman, Graham Houston, is a Councillor with Stirling Council	480	485	17	-	4	-
St John's RC Academy SQA Board Member, Seán Hagney, holds the position of Headteacher there	43	43	-	2	-	1

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: Colleges Scotland (formerly the Association of Scotland's Colleges); Scottish Ministers; the Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF is a related party as SQA Chief Executive, Dr Janet Brown, holds the position of Board member there. SQA levied charges of £nil (2017: £nil) to the SCQF during the year. At the year-end, £nil (2017: £nil) remained outstanding. In addition £3,000 (2017: £3,000) of charges were incurred by SQA. At the year-end, £nil were outstanding.

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



SCOTTISH QUALIFICATIONS AUTHORITY

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated 31 January 2006