



Annual Report and Accounts 2007–08

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Chairman's statement

It is my pleasure to introduce the SQA Annual Report and Accounts for 2007-08.

This report highlights much of SQA's work as a regulator to ensure that standards in Scottish education and training can be maintained and trusted over time. As the national awarding body, SQA is also responsible for ensuring that it contributes its experience and insight to the complex policy discussions and developments around assessment, and for making sure that individuals and employers have access to the right range of qualifications to help them progress.

This report details some of the activity undertaken by the organisation to inform and help implement education and training policy, and to keep SQA's portfolio of qualifications relevant to Scotland's needs. This work relies on strong relationships with sector partners, and the invaluable efforts of SQA staff and appointees.

I would like to take this opportunity to thank SQA staff and appointees for their commitment and their contribution to the successes of the past year.

Chief Executive's statement

The year has seen many developments in the Scottish education and lifelong learning landscape with the Scottish Government clearly placing learning and skills at the heart of its economic strategy.

The publication of the *Skills for Scotland* lifelong skills strategy highlighted the importance of lifelong learning, ensuring that employers and individuals are able to reach their full potential. The activities of SQA span all aspects of learning through life, from our work with schools and colleges to our engagement with employers, sector skills councils and the industry groups who inform the development of our qualifications. This report outlines some of our more recent work in this important area.

During 2007–08, the organisation completed a process review to continue to ensure that SQA services are of high quality, are responsive to the needs of the people of Scotland, and offer value for public money.

Increasingly, we are providing SQA qualifications and services in wider markets to get the full benefit from the public investment in their development. I am pleased that we achieved our targets for commercial surplus this year that supports our work in Scotland.

We will continue this work over the coming year and I look forward to working with all of our stakeholders and partners to achieve our shared objectives.

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1 Who we are and what we do

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

SQA's core purpose is to set and maintain standards in education and training through the qualifications and assessment that are delivered in schools, colleges, and workplace learning. In addition, its Accreditation function sets and maintains standards for awarding bodies and accredited qualifications, such as Scottish Vocational Qualifications.

SQA qualifications

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

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

SQA qualifications must:

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

There are SQA qualifications for everyone:

- ◆ students in schools and colleges
- ◆ trainees and apprentices

- ◆ people who already have qualifications, and those who don't
- ◆ people who are in employment, and those who aren't

SQA qualifications cover a broad range of skills and knowledge, from Languages, Mathematics, History and Science to Accounting, Early Years Childcare, Conservation of Masonry and Customer Service.

SQA develops Customised Awards that are tailored to the requirements of particular employers, and provides qualifications for learners whose first language is not English.

There are qualifications at all levels of attainment. One of SQA's goals is to support individuals throughout their lifelong learning with qualifications that are recognised and valued by both tertiary education and by employers.

Almost all school candidates gain SQA qualifications in the fourth year of secondary school, and the great majority obtain further qualifications in fifth or sixth year or in further education colleges. Increasingly, people also take them in the workplace, where SQA provides qualifications from junior to professional levels.

Because it is important that SQA ensures its qualifications are current and fit for purpose, it has a strategy for the development of qualifications in the National, Higher National (HN), and Scottish Vocational Qualifications (SVQ) families. The strategy aims to ensure that all qualifications are developed and maintained to the same rigorous high standards, and that they all make a valuable and unique contribution to SQA's portfolio of qualifications.

The overriding concern is that SQA should strive to maintain a balanced portfolio of qualifications that is driven by Scotland's economic and social needs, is flexible, and provides progression for all learners. At the same time, all qualifications should have sufficient uptake to sustain a meaningful national standard, and should, wherever possible, generate enough revenue to recover development and maintenance costs.

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

You can read more about qualifications developments, and SQA's work in accreditation during 2007-08 in the Management Commentary (Section 5).

2 Our operating environment

This Annual Report focuses on SQA's progress in achieving the objectives set out in its Business Plan 2007–08. At the beginning of this period, SQA's Board of Management identified a number of factors that will drive the organisation's activities:

- ◆ Scotland needs a coherent portfolio of flexible, connected qualifications to engage a wider range of potential learners, and to meet the needs of the economy, society, employers and individuals.
- ◆ SQA needs to use the data and intelligence that is uniquely available to it to provide analysis and advice to shape policy, and to promote the strengths of Scotland's education and training sector internationally.
- ◆ SQA has to embrace initiatives such as Curriculum for Excellence to ensure that our young people emerge as well-rounded, adaptable and responsible citizens and employees.
- ◆ SQA needs to anticipate the impact of changes in policy and legislation on candidates and centres, and support them in responding to these changes.
- ◆ The organisation needs to work with its stakeholders to set meaningful and transparent standards in education and training; and to continue that engagement over time to maintain and improve standards to ensure the continuing credibility of SQA qualifications.
- ◆ There is a need to use assessment more flexibly to support effective learning.
- ◆ SQA needs to work with partners to share resources, make use of technology, and refine systems to get best value for public funds.
- ◆ The organisation needs to use commercial opportunities and explore wider markets. This will enhance the recognition of Scottish qualifications worldwide, and provide additional investment in SQA's qualifications and services.

The Management Commentary in Section 5 of this report includes some highlights of SQA's work in response to these drivers.

The year has seen many developments in the Scottish education and lifelong learning landscape. Following the Scottish elections in May, the new Scottish Government has stated an overarching purpose to achieve sustainable economic growth for Scotland. With learning and skills as one of its five strategic objectives, there has been some shift in Scottish Government policy in this area:

- ◆ There is a focus on school education enabling all young people to succeed and gain the skills they will require as individuals and to contribute to the wider economy.
- ◆ The Government highlights the need to ensure the supply of education and skills is responsive to, and aligned with, actions that boost demand for them.
- ◆ The Government also highlights the requirement to remove any barriers that stand in the way of all individuals participating in learning, skills development, and realising their potential in the workforce.

Subsequently, the Scottish Government published its skills strategy, *Skills for Scotland: A Lifelong Skills Strategy*. Its objective is the development of a lifelong learning system centred on the individual, but responsive to employers' needs. The strategy will have a significant impact on Scotland's learners, employers, and stakeholders, and on SQA's work and future direction.

The skills strategy calls on SQA to continue to: involve employers and sector skills councils in the development of qualifications; place qualifications in the Scottish Credit and Qualifications Framework; and ensure that essential skills are visible in all qualifications. SQA is committed to playing its part in the wider agenda, and is striving to ensure that all its existing and planned activities, across all qualification types, support the skills strategy.

As one of the four partners in the Curriculum for Excellence Programme Board, SQA is continuing to work to create a curriculum that will meet the needs and aspirations of all Scotland's young people. Skills for Work Courses are one of Curriculum for Excellence's most visible outcomes to date — 2007 was the second year of their pilot. You can read more about Skills for Work Courses in the Management Commentary in Section 5.

SQA must respond to new legislation in the field of equality and diversity that will have important implications for its role in setting and monitoring standards.

Having announced a review of public bodies, the Scottish Government aims to ensure that the delivery of public services in Scotland is as simple and effective as possible. SQA continues to seek opportunities to share services and find more efficient ways of working. During the year, the organisation completed a programme of process review in key areas — including qualifications development, quality assurance, work with appointees, and support for its commercial activity. This resulted in a new organisational structure, which will make sure SQA is better equipped to respond to these emerging challenges.

A review of SQA's accreditation function in 2006-07 recommended extending the remit of the accrediting body in Scotland. This year, SQA discussed the ways these recommendations support the *Skills for Scotland: A Lifelong Skills Strategy* with Scottish Government colleagues.

As the national awarding and accreditation body for Scotland, and as an organisation that will play a significant role in delivering the goals and aspirations of the skills strategy, SQA is increasing its commitment to partnership working and to meeting market demand in its plans for 2008-11.

3 How we operate

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

SQA works with colleagues in the Schools and the Lifelong Learning Directorates of the Scottish Government to develop its objectives, which are approved by Ministers, and in the delivery of all the organisation's functions and services. SQA is committed to working closely with Skills Development Scotland, the new skills body being established by the Scottish Government to help improve delivery in Scotland, and will continue to strengthen partnerships across the education and skills development sector.

SQA is building its capacity to become a more flexible organisation, able to anticipate and respond quickly to the needs of Scottish employers, educators and policy-makers while maintaining the quality of its qualifications and services.

4 SQA's objectives for 2007–08

SQA's Corporate Plan for 2007–10, which includes detailed Business Plan objectives for 2007–08, addresses the strategic drivers we set out in Section 2 by focusing on five high-level objectives.

Objectives	Strategic Objectives
Objective 1 Provide qualifications and support to match the needs of individuals, society and the economy of Scotland	1.1 Develop our portfolio of qualifications and support in accordance with our qualifications development strategy 1.2 Deliver assessment, quality assurance and certification of our qualifications 1.3 Develop and deliver our accreditation function
Objective 2 Using our unique data and resources, inform and support national policy development and implementation	2.1 Maintain existing and establish new strategic relationships with key national and international partners 2.2 Contribute to and implement the outcomes of policy developments and initiatives
Objective 3 Re-design our services and processes to make them better to use and more efficient	3.1 Improve access to our information 3.2 Expand provision of e-enabled services 3.3 Achieve agreed Efficient Government savings
Objective 4 Develop a highly-skilled, motivated and effective workforce	4.1 Develop human resource policies, practices and professionals that will support the delivery of our objectives 4.2 Provide a conducive working environment
Objective 5 Increase the use of our qualifications and services nationally and internationally	5.1 Increase the use of our qualifications and services in Scotland and the UK 5.2 Increase the use of our qualifications and services in targeted international markets 5.3 Establish an effective commercial infrastructure to support increased use of our qualifications and services.

The Management Commentary reports on our progress towards these Business Plan objectives in financial year 2007–08.

Last year we introduced a Corporate Scorecard as a tool to measure progress against our Corporate Plan objectives. The Corporate Scorecard focuses on four very important areas for SQA:

- ◆ SQA's portfolio of qualifications and services
- ◆ partnerships with policy colleagues, customers, teaching professionals, and other organisations in education and training
- ◆ SQA's people — both staff and the thousands of appointees who help us develop and deliver our qualifications
- ◆ SQA's processes — the way we work as an organisation

This year the Management Commentary in Section 5 has been divided into four sections based on these themes, and there is a summary of performance against the measures and targets in the Corporate Scorecard in Section 6.

5 Management Commentary

5.1 Portfolio of qualifications and services

Skills for Work

Skills for Work Courses provide young people with a hands-on, experiential learning programme in a vocational context to help them develop generic employability skills — practical skills that relate directly to the world of work. The Courses are principally aimed at young people in S3 and S4, but are also open to others. Young people taking one of these new Skills for Work Courses will normally spend some of their time at a local college, or other training provider. This will mean learning in a different environment, meeting new people (including employers), and facing new challenges.

Following a successful pilot in two phases between 2005 and 2007, 13 Skills for Work Courses became available for mainstream delivery in August:

Access 3 (SCQF level 3)

Practical Experiences: Construction and Engineering

Intermediate 1 (SCQF level 4)

Construction Crafts
Early Education and Childcare
Engineering Skills
Hairdressing
Hospitality
Rural Skills
Sport and Recreation

Intermediate 2 (SCQF level 5)

Construction Crafts
Early Education and Childcare
Financial Services
Sport and Recreation

Higher (SCQF level 6)

Health and Social Care

In August, SQA issued certificates to 1,236 candidates who had successfully completed their Skills for Work courses. In total, 5,000 candidates took part in the national pilot — many of these are working towards certification in August 2008.

SQA developed an additional six Skills for Work Courses for delivery from August 2008:

Intermediate 1

Uniformed and Emergency Services

Intermediate 2

Energy

Engineering Skills

Hairdressing

Hospitality

Retailing

In the autumn, SQA held a series of 18 Support Network for centres delivering, or planning to deliver, Skills for Work Courses. These were an opportunity to:

- ◆ establish links between practitioners
- ◆ share experiences of the pilot and ideas about delivery models
- ◆ discuss interpretation of standards and best practice in internal verification
- ◆ increase understanding of the evidence requirements for external verification

SQA also began work with Highland Council on planning an innovative process for verifying Skills for Work Courses in the Highlands, and agreed a Memorandum of Understanding with Highland Council. A joint Steering Group was established, and the format and schedule for a pilot programme during academic year 2007-08 was agreed. The pilot will be evaluated next year.

The National Foundation for Educational Research (NFER) and HMIE have both carried out independent evaluations of the Skills for Work pilot.

The HMIE report, published in September, said 'It is particularly encouraging that almost all learners had a very positive experience and gained increased confidence and maturity. Strategic partnerships between local authorities, schools, colleges and other providers, had been formed or extended with clear rationales designed to meet the vocational needs of young people'.

The NFER report, published by the Scottish Government in March, found 'Most interviewees in schools agreed that the pilot had raised the status of vocational learning among teachers and students, and all felt that it had enabled them to offer a more relevant curriculum to their pupils. Respondents in almost all schools and colleges agreed that the courses had had a positive impact on students'

vocational skills and knowledge, motivation and behaviour. Most also thought that they had helped students to make better and more informed decisions about their post-school transitions’.

SQA has had approaches to discuss the Skills for Work Course model from a wide range of agencies within Scotland, the United Kingdom and internationally.

Modernisation of Higher National Qualifications

The Higher National Modernisation programme began in August 2003, and is scheduled to be completed in December 2008. SQA’s partners in the programme include Scotland’s Colleges, the Scottish Funding Council (SFC), the Colleges Open Learning Exchange Group (COLEG), and the Scottish Further Education Unit (SFEU).

This partnership project aims to produce a coherent, high-quality catalogue of Higher National Certificates (HNC), Diplomas (HND) and Higher National Units that is fit for purpose, cost-effective, and which will continue to meet the current and future needs of students, employers, and the Scottish economy. Since the programme began, 160 qualifications have been made available to centres (126 modernised consortium qualifications, 27 modernised specialist collaborative qualifications, and seven modernised specialist single-centre qualifications).

This year, SQA presented 44 new Higher National Qualifications for validation (23 specialist collaborative qualifications, and 21 specialist single-centre qualifications).

With European Social Fund and SFC support, SQA has created 986 assessment exemplars over the life of the programme.

The catalogue of Higher National Qualifications has been reduced from 800 Group Award titles to just over 250. This has resulted in improved consistency of national standards, reduced duplication of effort, and a clearer landscape for both learners and employers. The programme has fostered strong links with the Scottish Further Education Unit (SFEU) and Colleges Open Learning Exchange Group (COLEG), and has provided an opportunity for significant staff development across the college sector.

Preparing for the next stage

In preparation for the transition to the next stage — maintenance of the modernised HN catalogue — the Higher National Key Partners Group (HNKPG) is developing an exit strategy. This will be informed by an evaluation of the extent to which the project has delivered its objectives — the evaluation will identify good practice,

lessons learned and any further action needed to ensure that HN qualifications continue to meet Scotland's skills needs. SQA's work this year included:

- ◆ An evaluation of how far the 2003 Design Principles have resulted in qualifications that are better at meeting employers' needs, articulating with HE, and providing a rewarding learning experience for candidates.
- ◆ An evaluation commissioned by the HN Project Board of its management of the SFC funds to support the HN Modernisation Programme. This looked at whether best value for money has been achieved. Part of this evaluation included SQA's role in the management of the project.
- ◆ A contribution to the wider exit strategy consultation by HNKPG, involving: a questionnaire to all Scotland's colleges, a series of focus group events for all Scotland's colleges, and presentations and discussions with senior management teams of colleges.

Professional Development Awards

Professional Development Awards (PDAs) are vocationally-specific qualifications that allow students to build on their existing qualifications or experience, and facilitate career development.

Last year, SQA established a programme for developing vocationally-focused group awards at SCQF level 9 and above. In line with *Skills for Scotland: A Lifelong Skills Strategy*, the development programme aims to address current and projected skills shortages at intermediate professional and technical levels by providing high quality education and training that is aligned to National Occupational Standards (NOS) and professional body requirements. Since the programme began, 37 modernised PDAs have been made available to centres (32 consortium PDAs, one specialist collaborative PDA, and four specialist single-centre PDAs).

This year, SQA presented 42 PDAs for validation (36 consortium PDAs, one specialist collaborative PDA, and five specialist single-centre PDAs).

As is the case for all SQA vocational qualifications, employers are heavily involved in the development process. The aim is to create higher-level vocational group awards that equip candidates with 'employment ready' technical and transferable skills.

National Qualification Group Awards

Work on a development programme for National Qualifications Group Awards (NQGA) began in August 2005. It was managed by the NQGA Key Partners Group and an NQGA Programme Board.

National Certificates and National Progression Awards, both of which are at SCQF levels 2–6, provide job-specific skills and the underpinning ‘soft’ skills that employers are looking for. Since the programme began, five National Certificates and 78 National Progression Awards have been made available to centres.

This year, SQA presented four National Certificates and 29 National Progression Awards for validation.

The second annual National Qualifications Group Award Development Conference was held in January, with 120 delegates attending from centres, employers and other education and training organisations. The conference featured input from the Sector Skills Development Agency, and there were workshops discussing partnership working, Curriculum for Excellence, Core and other transferable skills, and a case study of the new National Certificate in Digital Media Computing.

SQA submitted a proposal to review and renew the NQGA provision to the Scottish Government. This work will be undertaken with partners across Scotland.

Core Skills for the Future

In March 2006, the SQA Qualifications Committee commissioned a limited review of Core Skills to:

- ◆ update standards in line with current thinking and technological developments
- ◆ remove barriers and widen access for learners
- ◆ contribute to the improvement of social inclusion, by better meeting the needs of vulnerable learners — particularly adults in community-based learning
- ◆ better meet the needs of employers

Last year, the necessary changes to the Core Skills Framework were identified and planned, taking account of employers’ needs and policy developments including Curriculum for Excellence and Determined to Succeed. SQA set up a Key Partners Group to oversee developments, and a webspace as part of SQA Academy.

This year, SQA introduced a new Unit specification and developed new Units for all Core Skills, including NQ and workplace Units. We

developed new smaller Units at SCQF levels 2 and 3 in Communication and Numeracy. There are now inserts (a choice of audio or text, with graphics) for learners to help explain numeracy at SCQF level 2 and to support access routes. The Units for *Working with Others* and *Information and Communication Technology* include new components. The new NQ Units were validated and launched nationally in March 2008, and will be available to centres from August 2008.

The Scottish Standard

This year, SQA developed a strategy for the Scottish Standard. The Scottish Standard aims to share information about, and clarify, the way qualification and assessment standards are set, maintained and monitored. This will help ensure that SQA continues to meet its self-regulatory requirements in relation to standards.

A Scottish Standard Development programme has been prepared, and SQA has been communicating the strategy and development programme in various ways, including a leaflet for centres, an article in SQA's *Connecting with Customers* e-zine, and a web-based resource.

Understanding Standards

As part of its work to promote understanding of standards, and support teachers in effective delivery of qualifications, SQA offers a programme of Professional Development Workshops on National Qualifications. During 2007-08, we held a series of 10 workshops for subject-specialist practitioners to:

- ◆ discuss issues affecting performance of candidates in the 2007 examination
- ◆ consider points for action to help improve the performance of candidates
- ◆ provide an opportunity for delegates to identify existing best practice and clarify issues, using selected candidate material from 2007 examinations in practical workshops

Following an increase in the number of appeals for the August Diet of National Courses, we held a further 11 events for schools and colleges supporting understanding of Estimates and Appeals generally, and specifically for Higher English.

SQA Academy

In 2007-08, the SQA Academy website continued to expand the support available for professionals who contribute to assessment.

The website has a number of distinct web spaces, each fulfilling a different purpose. Some of the web spaces are only available to registered users; others are open to all. The topics covered include:

- ◆ A Core Skills for the Future section, where professionals can make comments and provide feedback on the proposed refresh of the Core Skills Framework.
- ◆ Introductory online self-study courses. These are open to anyone to enter as a guest — for example, an Overview of National Qualifications.
- ◆ Scheduled courses designed either to be delivered online by tutors using the materials on the SQA Academy, or to be supplemented with a face-to-face workshop. These courses are scheduled to run for set time periods with groups of participants.
- ◆ The online learning part of a suite of staff development opportunities. These use a blended learning approach, and were developed in partnership with the SFEU.

Courses only available to SQA appointees include: Scottish Survey of Achievement Field Officer training; and training on Marking to National Standards in Business Management. These courses also link to the General Teaching Council's Professional Recognition framework.

International awarding

The Business Development Strategy approved by SQA's International and Commercial Committee in June 2007 specified a number of sectors of particular interest for increased focus in Scotland, the wider UK, and international markets.

In line with Government policy, and to ensure best value for the public investment in SQA qualifications, work on developing commercial activities in selected international markets continued. SQA centres in China currently offer SQA Higher National Diploma programmes. In 2007–08, there was significant growth in the number of candidates entered for these Group Awards.

In 2007–08, quality assurance visits to centres were carried out, training events provided for centre staff, and the first of a series of training events was held for in-country External Verifiers of SQA qualifications.

2007 Diet of Certification

One of SQA's primary responsibilities is the diet of assessments for National Courses for candidates in schools and colleges across Scotland.

There is a year-round cycle of assessment design, recruitment of Markers and other appointees, quality assurance of coursework, certification, and processing of appeals. SQA's progress across this range of tasks is monitored throughout the year, and the main run of certification is delivered in August in accordance with the key performance measures that are agreed with the Scottish Government.

This year, SQA met all the agreed performance targets for August certification. Certificates were issued to 155,893 candidates. In addition, around 20,000 candidates accessed their results online, and nearly 6,000 of these also opted to receive a mobile phone text alert. You can read more about the 2007 online results pilot in Section 5.4.

The number of appeals rose this year by 32.5%, to over 60,000. This is 5.2% of total entries for National Courses and Standard Grade. This increase is due to a number of factors:

- ◆ the removal of the Derived Grades procedure
- ◆ an increase in Course entry numbers at both Higher and Intermediate 2 levels
- ◆ wider use of the appeals system than was originally intended

Less than half of all submitted appeals were successful. SQA will continue to work with centres to improve the success rate of appeals, and to increase understanding of, and adherence to, estimates and appeals procedures.

Throughout the year, certification of the wider portfolio of Higher National Qualifications and vocational qualifications was also completed in line with agreed timetables.

Accreditation

The need to make the separation between SQA's accreditation function and its awarding work more clear has been addressed in a new organisational structure with SQA Accreditation now a distinct function reporting independently to the Chief Executive.

This year, the SQA Accreditation team made progress in three areas of work:

- ◆ taking forward the review of the accreditation function
- ◆ re-designing the process for auditing awarding bodies
- ◆ concluding the project to allocate SCQF credit and level to a range of Scottish Vocational Qualifications

Review of function

A review of SQA's accreditation function in 2006-07 recommended extending the remit of the accrediting body to include a wider range of qualifications available to learners in Scotland. This year, the ways these recommendations support *Skills for Scotland: A Lifelong Skills Strategy* were discussed with Scottish Government colleagues. The review also recommended that the SQA Accreditation team should be restructured to create a dedicated regulation team. In 2007-08, the organisation made preparations for this restructure by revising roles and job descriptions.

The review also highlighted the importance of moving towards a more strategic approach to inspection, in line with best practice for regulation, making more effective use of the wide range of information gathered on each awarding body's performance.

Auditing awarding bodies

Building on work in previous years, the Accreditation team piloted a self-assessment process for awarding bodies in partnership with regulatory bodies in other parts of the UK. Its aim was to measure the effectiveness of the self-assessment processes proposed by a sample of awarding bodies. The pilot was successful, although it did identify a small number of issues to monitor as the process is extended to all awarding bodies.

Following the publication of new criteria for awarding bodies in 2007, the format of the awarding body audit report was reviewed so that it would highlight the areas of compliance with the criteria and the points where improvement is required.

An information gathering and analysis tool was developed to help in determining the appropriate audit intervention required for awarding bodies' quality assurance processes. This will enable the team to focus its resources more effectively. This new tool will be introduced during 2008-09.

SVQs in the SCQF

The three-year project to test the processes for allocating SCQF credit and level to SVQs and their constituent units was completed. For the final year of the project, SQA Accreditation worked with

those sector skills councils (SSCs) that had not previously taken part.

At the conclusion of the project, SCQF credit and level had been allocated to some 2,000 units from 115 SVQs. The project demonstrated that SCQF credit and level can be allocated to SVQ units, but it also identified issues with allocating SCQF level to whole SVQs. SQA Accreditation will be working with SSCs and awarding bodies during 2008–09 to identify ways to allocate an SCQF level to SVQs. For the remaining 500+ SVQs, SCQF level and credit will be allocated as part of the normal revision process.

The project strengthened effective partnerships between sector skills councils and awarding bodies, which will enhance the review and revision cycle.

5.2 Partnership

Customer and Stakeholder Engagement Plan

This year, SQA adopted a more strategic approach to planning interaction with its stakeholders. (Stakeholders are the people and organisations who have a direct interest in SQA's qualifications, services, and strategic direction. This includes the Schools and Lifelong Learning Directorates of the Scottish Government, customers and candidates, organisations who share an interest in the education and training sector, SQA's staff and appointees, and partners through other legal agreements such as Memoranda of Understanding.)

SQA introduced a Stakeholder Engagement Plan, which includes scheduled meetings to discuss identified topics, to ensure that intelligence is gathered at appropriate times to inform the organisation's decisions.

Curriculum for Excellence

Launched by the Scottish Executive in November 2004, and supported by the new Scottish Government, Curriculum for Excellence is designed to provide a seamless education from 3 to 18 in Scotland. SQA is one of the partners — with the Scottish Government, Learning and Teaching Scotland, and HMIE — in the Curriculum for Excellence programme of work.

SQA is involved in all strands of activity, including work with partners to draft curriculum outcomes, and to review performance and accountability measures. SQA's principal role is to contribute

the key qualifications and assessment strand of the programme. The Chief Executive is a member of the Curriculum for Excellence Management Board.

National Qualifications have an important role to play in helping to deliver Curriculum for Excellence. The content of National Qualifications at all levels will be revised over time to reflect the values, purposes, and principles of Curriculum for Excellence. Scottish Government Ministers believe that there are particular issues to be resolved over National Qualifications at SCQF levels 4 and 5 (Standard Grade Credit and General/Intermediate 1 and 2).

Last year, SQA had completed an extensive programme of research, literature review, and stakeholder engagement involving learners, teachers and lecturers. This year, this research helped inform the next stages of the review of National Qualifications.

SQA commissioned five research projects to explore the relationships between existing SQA qualifications and processes and the aims, values, and principles of Curriculum for Excellence. The projects were led by teachers or lecturers at Anniesland College; Dollar Academy; St Luke's High School, Barrhead; St Margaret's Academy, Livingston; and Trinity Academy, Edinburgh. They explored approaches to learning, assessment, and qualifications across the curriculum, and looked at ways of developing the four Curriculum for Excellence 'capacities': to be Successful Learners, Responsible Citizens, Effective Contributors, and Confident Individuals. The research also covered: approaches to the delivery of Core Skills; National Courses at Intermediate 2; and interdisciplinary curriculum programmes, including themes that could cut across disciplines, such as environmental sustainability and citizenship.

More Choices, More Chances

Last year the Scottish Executive published the *More Choices, More Chances* action plan to reduce the proportion of Scotland's young people not in education, employment or training. This year, SQA completed work to determine how best its qualifications and assessment can help to increase choice and opportunity.

- ◆ A dedicated project manager was appointed to co-ordinate work in this area.
- ◆ A programme of stakeholder engagement investigated how SQA can support vulnerable, disengaged, and hard-to-reach learners, including by extending the reach of existing qualifications. This involved visiting over 30 centres and other agencies and organisations, and targeted engagement in the seven high priority areas for More Choices, More Chances (Glasgow, West

Dunbartonshire, Inverclyde, Dundee, Clackmannanshire, East Ayrshire, and North Ayrshire).

- ◆ SQA developed links with local authorities in these seven areas, the Scottish Government, the Scottish Further Education Unit, and a range of organisations, agencies and learning providers in the voluntary sector.

Adult Literacies

SQA launched an updated Professional Development Award at SCQF level 6 *Introduction to Tutoring in Adult Literacies Learning (ITALL)* in May. We provided extensive assessment support packs, and guidance on transition arrangements. SQA also secured European Social Funding to develop resources on the Understanding Standards website to support assessment and professional development recognition for the new award. This was launched at an event in February 2008.

In March, SQA launched a new PDA in *Delivering Literacies Learning Programmes for the Workplace* at SCQF level 7. The PDA had been developed by a partnership which included the Scottish Government (Learning Connections).

Connecting with SQA Conference

In June, SQA held its second customer conference. It was attended by over 600 representatives from schools, colleges, employers, and training providers. The programme of 36 events was prepared in response to requests from SQA Co-ordinators in centres. It included workshops covering:

- ◆ opportunities for professionals to inform development of SQA policies on Core Skills for the Future, and options for the future of qualifications at SCQF levels 4 and 5
- ◆ surgeries to offer support in using SQA Data Services
- ◆ case studies of new qualifications in areas such as Personal Development, Digital Media, Medical Administration, and Financial Services

Feedback from delegates showed that:

- ◆ 99% of delegates would attend a similar conference in future
- ◆ 89% of delegates were satisfied or highly satisfied with the programme range and content
- ◆ 82% of delegates agreed or strongly agreed that the broad focus of the conference across all customer types was valuable

SQA launched its revised Customer Charter at the Conference. This details SQA's service-level commitments and its complaints and feedback policy. It includes information on SQA's:

- ◆ services for customers
- ◆ equality commitment
- ◆ customer support network
- ◆ Freedom of Information enquiry process
- ◆ service statements
- ◆ customer complaints and feedback procedure

It also gives customers guidance on how they can help when they contact SQA.

SQA Star Awards

The annual Star Awards were held in September. The Star Awards allow SQA to recognise candidates who have faced up to particular challenges, or put their qualifications to good use; to recognise centres that have supported their candidates particularly well; and to reward excellence in individuals and establishments.

2007 Art Exhibition

In partnership with the National Galleries of Scotland, SQA held an Art Exhibition displaying work from the 2007 Standard Grade, Intermediate, and Higher examinations. As well as paintings, the exhibits also included sculpture, design, ceramics, fashion and jewellery, all of which had gained high marks in assessments. The aims of the exhibition, which ran from October to January, were to:

- ◆ offer teachers, students, and members of the public, the opportunity to see and discuss some of the best examples of work from aspiring artists
- ◆ recognise and celebrate the talent of young Scottish artists
- ◆ inspire artists of the future
- ◆ increase awareness of SQA qualifications

A fully illustrated catalogue was available to support the exhibition and ensure that teachers and students received maximum benefit from their visit.

Recognising the difficulty and expense encountered by some schools in visiting an exhibition in Edinburgh, we introduced a travel grant scheme, with the support of sponsors, to help schools and colleges bring students to the exhibition. This offer was taken

up by over 200 schools. The exhibition had over 10,000 visitors, including 220 school parties, and was covered by more than 90 media outlets.

Schools were also given the opportunity to have a guided tour of one of the established exhibitions on display in the Gallery. This allowed the students to view established art as well as the works of their contemporaries.

The artworks on display in the exhibition were also made available in an online gallery on our website at: www.sqa.org.uk/art2007. This has had over 10,000 hits since it went live in October.

Scottish Learning Festival

In September, SQA exhibited at the Scottish Learning Festival in partnership with Learning and Teaching Scotland, Scottish Government, and HMIE. SQA's exhibit was part of the high-profile Scottish Education Village.

SQA also presented several seminar sessions at the Festival including:

- ◆ 21st Century Skills: Internet Qualifications
- ◆ Online Teacher Support for Assessment of Learning: The Understanding Standards Website and the SQA Academy
- ◆ A Model for Developing E-assessment: The SOLAR Project
- ◆ The Sports Store Game: Delivering Curriculum through Games
- ◆ Current SQA Portfolio and Curriculum for Excellence
- ◆ Using SQA Academy to Support Teachers
- ◆ Using E-assessment to Support Teachers and Learners

Customer satisfaction

In addition to regular conferences and events, each year SQA carries out surveys to track satisfaction with its services and to identify areas for improvement. One of these is the Customer Survey. This year, the approach to this survey was changed, introducing a more targeted mini-survey to focus on particular areas of interest.

The 2006 Customer Survey had identified the SQA website, finance, and communication as areas with potential for improvement, so this year's mini-surveys focused on these. In total, 220 customers responded and analysis showed that:

- ◆ Overall, 82% of customers are satisfied with SQA services, an increase of 2% from the 2006 survey.
- ◆ Schools, colleges and the workplace learning sector (employers and training providers) all reported increased satisfaction in 2007 to 84%, 78% and 84% respectively. These figures represent increases of 2.2%, 2.7% and 4.5% respectively from 2006.

For the three focus areas, satisfaction has increased.

Area	2006	2007
Website	70.6%	71.5%
Communication	80.0%	82.6%
Finance	70.7%	76.0%

SQA also commissioned a ‘mystery shopping’ exercise to measure the quality of its remote enquiry services (letter, fax, e-mail, online forms) and to help the organisation focus on areas that require improvement. A research company was appointed to measure any gap between SQA’s published corporate standards and delivered service from November 2007 to February 2008. This covered:

- ◆ telephone and e-mail contact via SQA’s Customer Contact Centre
- ◆ the usability of SQA’s website and online feedback form

The exercise found that satisfactory responses were received for 82% of contacts through the SQA website, and 87% for telephone and email contacts via the SQA Customer Contact Centre. This resulted in an overall rate of satisfactory responses of 85%.

Work with employers, sector skills councils and training providers

SQA worked to improve and increase the profile of its services for employers and training providers. This included building strong relations with Scottish Chambers of Commerce, the Scottish Trades Union Congress, and the Scottish Training Federation.

SQA worked closely with sector skills councils to define protocols to clarify each party’s involvement in development of Sector Qualifications Strategies and of particular qualifications.

Two joint conferences and three additional workshops were held for Scottish and UK sector skills council Qualification Managers to build understanding of the Scottish qualifications landscape.

Supporting individual progression through lifelong learning

SQA continued to work with colleagues in the higher education sector to increase progression opportunities for Scottish candidates by promoting awareness of SQA qualifications in the wider UK. The work included a series of presentations to higher education admissions staff across the UK. There were also presentations at the annual Universities and Colleges Admissions Service (UCAS) Conference in March, and the Supporting Professionalism in Admissions Conference in February. SQA agreed to support UCAS in its trial of a new tariff-rating methodology on Scottish qualifications in September 2007, and undertook preparatory work for the UCAS review of tariffs for Scottish qualifications to be completed in April 2008.

Scottish Credit and Qualifications Framework

Because it is a way of increasing progression opportunities for Scottish candidates, SQA has continued to support the development of the Scottish Credit and Qualifications Framework (SCQF). The Scottish Credit and Qualifications Framework helps people to understand and compare different qualifications in Scotland, including SQA qualifications. It does this by using two measures:

- ◆ Level (1-12) shows how complex the learning of a qualification is.
- ◆ Credit points indicate the volume of learning required to achieve a qualification. One SCQF credit point represents 10 notional learning hours.

SQA qualifications are developed using SCQF level and credit points and this is shown in a 'Ready Reckoner', which is available on the SQA website. Information on the SCQF is also shown on the Scottish Qualifications Certificate.

The SQA SCQF ready reckoner postcard was revised to show the complete portfolio of SQA qualifications. In partnership with Napier University, SQA presented a credit rating workshop to the organisations that were included in the SCQF partnership's pilot project on extending the facility to credit rate (City and Guilds, Institute of Leadership and Management, Chartered Institute of Bankers in Scotland, and the Scottish Police College).

The SCQF in the wider UK

In February, pursuing the organisation's objective to increase use of SQA qualifications in the wider UK, SQA sought and achieved QCA-approved awarding body status. During the year, QCA

accredited a number of SQA qualifications for the UK market in IT, Construction, Financial Services, ESOL, and Jewellery.

A new unit and credit based regulatory framework, the Qualifications and Credit Framework (QCF), is being introduced for England, Wales and Northern Ireland in August 2008. SQA participated in its pilot. SQA also completed work with other UK qualification regulators (QCA, CCEA, DELLS) to explore alignment and articulation of SQA qualifications and the SCQF with the piloted QCF.

One element of SQA's participation in the QCF pilot was to seek accreditation to the QCF for its Certificate in Highways Maintenance. SQA also successfully applied for approval to align its qualifications to the National Qualifications Authority in Ireland's (NQAI) National Framework of Qualifications.

Last year, the Five Country Qualifications and Framework Group (including SQA, SCQF, QCA, CCEA, DELLS, and NQAI) published a leaflet and website called *Qualifications Can Cross Boundaries*, which outlined the main features of each of the qualifications systems. Following positive feedback, this year the Group updated and revised the website, renaming it *Comparing Qualifications Across Countries*, and extending it to include the Credit and Qualifications Framework for Wales.

The SCQF in Europe

SQA has continued to represent the UK on the European Commission's technical working group on credit transfer in vocational education and training (ECVET). The final proposal for ECVET will be put to the European Parliament and the European Council for approval in 2008.

This group's work informed the development of the European Qualifications Framework (EQF), which was formally adopted by the European Parliament and European Council in December 2007. European countries will be expected to refer their national qualification levels to this framework by 2010. This work will be taken forward with SCQF partners in 2008-09.

Informing policy development

Early this financial year, SQA submitted a response to the Scottish Executive's consultation on a refresh of the *Learning Through Life* Strategy, highlighting SQA's important and on-going contribution to the success of lifelong learning in Scotland, and offering ideas from our perspective on areas that are working well and areas

where further development would better meet learning and skills needs.

In September, following the election of a new Scottish Government, the *Skills for Scotland: A Lifelong Skills Strategy* was published. This strategy includes calls to action on SQA's part, and a number of additional recommendations that are relevant across the education and training sectors. The SQA Corporate Plan 2008-11 begins to respond to these calls to action, and more work will be done in 2008-09 to reinforce SQA's commitment to support implementation of this strategy.

SQA carried out a range of activity using its data and insight to support development of well-founded policy in the education and training sector. This included response to consultations, provision of statistical analyses, and publishing research findings.

Some examples of consultations are:

- ◆ Schools for the 21st Century (European Commission)
- ◆ Skills for Scotland: A Lifelong Skills Strategy (Scottish Government)
- ◆ Code of Professionalism and Conduct (General Teaching Council of Scotland)
- ◆ Articulation for All? (Scottish Funding Council)
- ◆ QCF Regulatory Arrangements (Qualifications and Curriculum Authority)

SQA provided both pre- and post-appeal data on pupil attainment to the Scottish Government. It also provided data and analysis — both as regular reports and as responses to 500 ad hoc requests — to a variety of stakeholders including:

- ◆ *2006 Annual Statistical Report and Digest* (published on our website)
- ◆ 2007 Pre-Appeal and Post-Appeal Analysis (published on our website)
- ◆ 2007 Appeals Analysis (published on our website)
- ◆ 2007 Average Component Marks (published on our website)
- ◆ 2007 Grade Boundaries (published on our website)
- ◆ 2007 Pupil Attainment Data (to Directors of Education)
- ◆ Entries and awards for administration qualifications (to the Council for Administration, quarterly)
- ◆ Entries and awards for childcare qualifications (to the Scottish Government, quarterly)

- ◆ Entries and awards for customer service qualifications (to the Institute of Customer Services, quarterly)
- ◆ Entries and awards for plumbing qualifications (to Scotland and Northern Ireland Plumbing Employers Federation, monthly)

SQA published six Research Bulletins on its website:

- ◆ *Mobile Phone Quiz Evaluation*
- ◆ *Projecting the Demand for Qualifications in the Scottish Economy to 2011*
- ◆ *Projecting the Demand for Qualifications: A Review*
- ◆ *Skills for Work and the Development of Vocational and Pre-Vocational Courses for School-Age Pupils*
- ◆ *Evaluation of the Digital Media and ICT Vendor Alliance (DIVA)*
- ◆ *The Use of Extra Time as an Assessment Arrangement for Disabled Candidates and/or those with Additional Support Needs*

Assessment is for Learning

SQA supports the Assessment is for Learning Programme by taking part in the Assessment is for Learning Management Group, and through the work involved in the Scottish Survey of Achievement (SSA) and the 5–14 National Assessment Bank (NAB). The SSA, which is managed by the Scottish Government, is a sample-based national survey that monitors how well pupils in Scotland are learning; the 5–14 NAB is a web-based resource from which teachers can download National Assessments in Reading, Writing, and Mathematics in English or Gaelic, to support and confirm their judgements about pupils' progress.

The 2007 SSA focused on Science. A sample of 41,000 pupils in P3, P5, P7 and S2 from some 1,200 schools across Scotland completed written assessments in science knowledge and understanding or science literacy. SQA carried out a range of tasks for the 2007 survey:

- ◆ Organised the printing, distribution, and return of almost 100,000 written assessment booklets.
- ◆ Organised and quality assured the marking and data capture of more than 82,000 returned booklets.
- ◆ Held a five-day writing moderation event. 69 primary and secondary teachers from all over Scotland took part, and around 10,000 examples of pupils' writing were moderated.

The 2008 SSA has Mathematics as its focus, including investigation skills and the Core Skills of Numeracy, ICT, Problem Solving and

Working with Others. The survey will be completed by pupils in May and June 2008. The future shape of the SSA is under review by Scottish Ministers.

For the National Assessment Bank, we continued to refresh the content as appropriate.

Science Strategy for Scotland

In response to the publication of *A Science Strategy for Scotland*, SQA reviewed its current provision of qualifications in Science and Engineering. Stakeholders' views and plans were investigated — the stakeholders included sector skills councils, employers, and education and training providers — and this informed a draft Strategy for Science and Engineering qualifications and recommendations for future developments.

This preparatory work informed SQA's on-going qualifications development programmes:

- ◆ Two National Certificates in Applied Sciences will be available to centres from August 2008.
- ◆ SQA is developing new Highers and Advanced Highers in Sciences.
- ◆ Work continues on developing and revising HNC/HNDs in Science and Engineering as part of the wider modernisation and maintenance programme for HN qualifications.
- ◆ An additional Skills for Work Course in Engineering at SCQF level 5 (Intermediate 2) will be available to centres from August 2008.

SQA continues to inform policy and raise awareness of its Science qualifications by participating in the Scottish Chemical Industry Strategy Group, Scottish Engineering Network, Scottish Association of Further Education Engineering Colleges, and the Engineering for the Future Steering Group.

Stronger engagement with China

In line with the recommendations of the Scottish Government's Stronger Engagement with China policy, SQA has developed a suite of qualifications in Chinese languages.

SQA is a member of the Scottish China Education Network, and has established a Steering Group to oversee Chinese language qualification developments.

National Courses in Mandarin and Cantonese at Access 3, Intermediate 1, and Intermediate 2 will be available to centres from August 2008.

Adult ESOL Strategy for Scotland

Following publication of an Adult ESOL Strategy for Scotland, SQA has expanded its portfolio in this area, and carried out work to promote the new qualifications to employers, education and training providers and potential candidates.

Support for practitioners delivering the new ESOL National Qualifications framework, which was launched in 2006–07, included an ESOL e-learning CD, Guidelines on Assessment of Speaking and Writing from Access 2 to Higher, and a series of presentations to specialists in the sector.

Additional Access 2 National Units in Literacies have been developed to support learners who have no literacy or minimal literacy in English. This completes the framework. Support materials for these Units will be published in 2008–09.

SQA also promoted the new qualifications framework by:

- ◆ attending the Lifelong Learning UK conference in December; and hosted exhibition stands at the New Scots Conference, the Business Scotland conference, the International Association for Teaching English as a Foreign Language exhibition, and the Scottish Training Federation Conference
- ◆ holding a seminar at the SQA Customer Conference in June, and demonstrating the new e-learning materials at the Scottish Learning Festival in September
- ◆ holding a seminar at the Action for Training and Learning for Asylum Seekers (Atlas) Partnership Final Conference in October

Progression opportunities for ESOL candidates have increased. SQA has now secured agreement with every university in Scotland, and with Oxford University, that Higher ESOL is accepted as a general entry qualification to University.

International consultancy

SQA carried out a range of awarding and consultancy activity in international markets, supporting the Scottish Government's commitment to:

- ◆ contribute to the development of education internationally
- ◆ promote a range of Scottish education projects

- ◆ promote a positive image of Scotland through educational co-operation and exchanges

SQA hosted 24 study visits to Scotland for a variety of nationalities and institutions, including, for example, representatives of the Austrian, Romanian and Swedish Ministries of Education.

SQA's consultancy work in 2007-08 included:

- ◆ Securing a three-year contract extension to complete the third phase of a project funded by the Botswana Government to provide services to support and accredit Botswana Technical Education Programmes.
- ◆ Carrying out EU-funded work, in collaboration with partners from Bulgaria, Italy and Greece, on the Q-Tel Net project to identify critical success factors in matching the training provision for the tourism sector in Europe with the demands and needs of the industry. SQA organised and hosted a two-day conference in Glasgow to disseminate the results of this project to an audience of European policy makers, and representatives from the EU Commission, the European Training Foundation, and other key stakeholders from the tourism sector.
- ◆ Completing work sub-contracted by the British Council to assist with building capacity in Northern Cyprus for qualification systems development.
- ◆ Completing three EU-funded projects in Lithuania to provide technical assistance to support development of a National Qualifications Framework, a qualifications register, and a Quality Assurance Strategy for the Lithuanian Labour Market Training Authority.
- ◆ Acting as lead partner in an international consortium which secured a two-year contract funded by the World Bank to provide technical assistance to the Mozambique government to help develop a TVET qualifications system. This work began in December, and is scheduled for completion in 2009.
- ◆ As a partner in an international consortium, successfully bidding for an EU-funded project to provide technical assistance for Institution Building in the Romanian TVET Sector.
- ◆ Providing technical assistance and advice on standards for accreditation of public and private technical training institutions to the National Commission for Academic Accreditation and Assessment, Saudi Arabia.
- ◆ Benchmarking South African qualifications developed for the new National Senior Certificate against the equivalent Scottish qualifications.

SQA's international strategy will be reviewed in 2008-09, once a refreshed Scottish Government strategy for international activity is published.

5.3 People

Partnership working

During 2006-07, SQA had carried out preparatory work to agree a new multi-year pay deal with the Scottish Government.

This year, SQA secured approval of a multi-year agreement, creating a stable employment relations climate as a basis for planning through to the end of 2009-10. The agreement includes revisions to the categories available to managers for assessing performance, and changes to the mechanisms that link performance to reward.

The new deal was implemented using the organisation's new integrated HR and Finance software, without technical issues, and with the support of the SQA Partnership Group. The Partnership Group includes representation from the management team and three recognised trade unions (Amicus MSF, TandG, and Unison). SQA supported the Partnership Group in providing a constructive approach to strategic issues facing the organisation — the next stage of development for the Partnership Agreement signed in 2005. A competence framework has been designed for partnership working, and there have been training events to build confidence by introducing a range of tools and behaviours to use in meetings and in handling points of disagreement. Points of strategic interest have been agreed, and a workplan has been developed for the Group.

New organisational structure

Following an extensive review of SQA's processes, a new organisational structure was announced to support new and more efficient ways of working, particularly in the areas of business development where new roles and responsibilities have been identified.

The Partnership Group will also be contributing to the programme of change management as the organisation is restructured during 2008-09.

Organisational and individual development

SQA introduced new elements to the structure of our workforce development activity to make sure that the organisation's staffing and skills profile is appropriate. This, in turn, will help to ensure effective and efficient delivery of the corporate objectives.

In 2006–07, competence frameworks had been defined for the senior management team, line managers, and wider staff. This year, SQA reviewed the pilot development programmes that had been introduced to support these competence frameworks, and began to roll the programmes out to all staff. For the first time, the identified competences were linked to assessment of individual performance and reward. Talent Management discussions were introduced at Business Manager level, and training events held to follow up on the 2006–07 leadership development events for this group.

Equality and Diversity programme

SQA continued to implement its Equality and Diversity programme in response to introduction of additional equalities legislation the previous year.

An Equalities Officer was appointed, and a Steering Group was set up to co-ordinate and direct work in this area.

SQA published its Gender Equality Scheme, and a refreshed Race Equality Scheme, in June. SQA published a review of its progress implementing the Race, Gender, and Disability Equality Schemes on its website in December.

SQA has provided equalities training to new members of staff, and has agreed to provide training for members of staff starting work with Learning and Teaching Scotland as part of the commitment to share services.

SQA continued to promote awareness and participation in its Equality and Diversity programme by issuing a leaflet to stakeholders in August, launching an equality resource on the website in September, and including regular updates in the *Connecting with SQA* e-zine.

SQA established a forum for all Scottish non-departmental public bodies to share good practice in Equality and Diversity work, with participation from Scottish Government and the Equality and Human Rights Commission.

It also held a stakeholder consultation event in September to explore barriers to access and attainment for candidates with additional support requirements in Core Skills Communication units. Actions identified as a result of this event will be taken forward as part of the wider review of Core Skills (see Section 5.1).

Work on the three-year programme of Equality Impact Assessments began in September. The areas covered include HR and Appointee Data Collection and Qualifications Development Policy.

SQA's progress in meeting its public duties is tracked by the Audit and Performance Committee and Board of Management.

Working environment

Since 2004, SQA has been investigating options to relocate its existing Dalkeith site, due to on-going maintenance issues and significant shortfalls in the condition and quality of the building. The aim is to provide an efficient office building that meets SQA's diverse business needs and provides an enhanced working environment for staff and appointees.

In April, SQA submitted an outline business case, based on earlier feasibility studies, to Scottish Ministers. Ministers gave their approval to investigate the option to relocate to new leased premises. SQA appointed a consultant to carry out an independent assessment of future space requirements. This identified overall reductions of between 12–32% on the original floor space figure. A property search will be undertaken in light of these revised recommendations to inform the development of a full investment proposal to be submitted to Scottish Ministers for approval.

Last year, SQA reviewed its Environmental Management system, and established an Environment Forum to keep staff informed of developments and provide an opportunity to suggest additional improvements. SQA devised environmental management targets, and teams were encouraged to embed these in their operational plans. This year, the organisation started an awareness campaign. This focused on reducing paper use, power consumption, and inter-site travel. All staff participated in this activity, and their suggestions included introducing 'waste islands' to encourage staff to segregate waste, and installing energy-saving devices for water and lights in the Dalkeith office. The organisation's targets for use of paper, business mileage, and use of video conferencing facilities were surpassed.

To reinforce awareness of environmental management issues, SQA re-invested some of the savings from reduced paper and energy consumption to support a staff tree-planting day in March. Thirty-

six staff from the Dalkeith and Glasgow offices planted nearly 1,000 oak, alder, Scots pine, willow, and silver birch trees in Bonnywood, near Falkirk.

SQA staff nominate and vote on a charity each March. There is an 'Informal Committee', made up of volunteers from the Glasgow and Dalkeith offices, which is dedicated to raising funds for these charities. Events include the Christmas and Summer Fayres and popular Quiz Nights. This year, staff voted to raise money for Alzheimer Scotland and Marie Curie Cancer Care charities. Cheques totalling £11,000 will be presented in May 2008. Many SQA staff also raise funds independently for their own preferred charities.

In April, SQA was presented with the Scotland's Health at Work Gold Award for both the Glasgow and Dalkeith sites. This reflects a strong commitment by the organisation to the health and welfare of all employees, with activities during 2007-08 including free fruit days, a travel and holiday health event, and opportunities to try out exercise activities such as salsa dancing and hula hooping.

5.4 Process

Increasing choice in accessing information

Website

SQA made improvements to its main website, www.sqa.org.uk. At the Connecting with SQA Conference in June, an improved search facility and new home page design were introduced. The new home page includes 'Services for...' links to tailored content for particular groups, and a refreshed branding. There were further improvements to the website search facility in March, and there are more in the pipeline.

The website received 29% more visits than the previous year.

In November, SQA launched its free past papers download service, increasing access to this useful resource. The service has been very popular, with over 250,000 downloads of papers from the 2007 diet of examinations up to April.

Results Online

In August, SQA built on small-scale pilots from two previous years to offer results online to candidates for National Courses and Standard Grades. This service aimed to increase candidate choice, support lifelong learning, and embrace the potential to use new technology to improve SQA services. Subsequent surveys confirmed that there is a demand for this service.

In response to letters issued through their schools, colleges, employers and training providers, around 35,000 National Course and Standard Grade candidates signed up for the 2007 Results Online service. Between 6 and 8 August, around 20,000 candidates accessed their online account, and text alerts were sent to nearly 6,000 candidates.

Following certification, independent technical and usability reviews were commissioned and, building on this experience and lessons learned from the pilots, SQA is developing an improved service for 2008. This has been named 'MySQA' following extensive discussions with candidates, and will offer candidates for all SQA qualifications greater choice in how they access their results. The service has been developed using principles of User Centred Design. Registration for the service will be opened to candidates from May 2008.

A survey of candidates who had registered for the 2007 Results Online service found that:

- ◆ 96% of respondents said that enhanced access to results was an important factor in registering for the service (-2% on 2006 respondents)
- ◆ 99% of respondents found it easy or very easy to register for the service (+1%)
- ◆ 63% of respondents found it easy or very easy to access their results using the service (-35%)
- ◆ 97% of respondents said that the layout and content of the site were easy to understand (-3%)
- ◆ 97% of respondents said that if they were undertaking exams in future it is likely or very likely that they would want to access their results online again (no comparison available)

E-assessment

SQA is committed to increasing the use of e-assessment to:

- ◆ improve the quality of the assessment process for centres, and for the learners taking SQA qualifications
- ◆ meet growing demand from customers for e-assessment in recognition of the increased flexibility it brings to them and to learners

This year, SQA refreshed its Strategy and Vision for E-assessment, with input from stakeholders. The refreshed version was published on the website in June, and forms a key reference point for future

plans and activities. The organisation sought views from learners as part of this process.

During the year, SQA put in place licensing arrangements to allow it to use an e-assessment platform (software for authoring and delivering e-assessment). This will allow it to create and deliver e-assessment as a normal part of business where there is evidence of customer demand or where SQA believes that e-assessment will enhance learners' experience of its qualifications.

SQA worked with other regulatory bodies in the UK on the *Regulatory Principles for e-Assessment* and the *Guide to Effective Practice in e-Assessment*. Both of these documents cover the whole UK and are designed to support and encourage best practice. This should help ensure that e-assessment is recognised as a mainstream activity.

Support for e-assessment

Increasing volumes of e-assessment material were made available to support HNC/HNDs, and SQA worked closely with colleges to encourage and support them in using this material. SQA also applied for matched funding from the European Social Fund to increase the value of National Qualification Group Awards by 'e-enabling' them, providing teaching and learning materials and supporting staff development, (including capacity-building). SQA offered training for its staff, appointees, and centre staff in developing and working with e-assessment, to help encourage its use.

New developments

SQA continued to pilot new approaches, for example offering e-assessment for two subjects as part of the 2007 Diet, piloting the use of e-assessment to support delivery of Skills for Work Courses, and starting a small-scale project to explore the potential of social software to support the assessment of group work. A research project was also completed to explore the use of Avatars to increase the accessibility of SQA qualifications.

In the 2006 Diet, SQA had introduced e-assessments in Biotechnology at Higher and Intermediate 2. This year, it again prepared e-assessments in Biotechnology at these levels, and expanded the provision to include Physics at Intermediate 1. There were 123 candidate entries from 10 centres across Scotland for the Biotechnology assessments, and 70 candidates from eight centres in Dumfries and Galloway participated in the online assessments for Physics. SQA ran two training sessions for staff in the centres involved.

SQA developed a number of e-assessment tools to support Skills for Work Courses. These include an innovative e-portfolio system called Deskspace, which is designed to support both learners and teachers in the teaching, learning, and assessment process. This e-portfolio tool is used to collate work for assessment, to enhance personal development planning, to record progress on Courses, and to support group work.

Work with SCHOLAR

Since the end of the Pass-IT research project in 2005, eNABs in Mathematics at Higher, Computing at Intermediate 2, and Computing Studies at Intermediate 1 have been available to SQA centres to use for both formative and summative purposes. This year, SQA continued to work with the SCHOLAR team at Heriot-Watt University to provide support for centre staff and candidates using these e-assessments. The SCHOLAR programme provides common educational resources and a 'virtual college' support network for all authorities in Scotland.

SQA worked with the SCHOLAR team to promote these resources, and to provide seven staff training workshops for centres. Some of these workshops were open to all staff across Scotland, some were authority-wide meetings (Angus, Fife, and Dumfries and Galloway), while others were delivered to staff in individual centres.

E-marking

In 2003, SQA commissioned a report on the quality assurance of external assessment. In light of the findings of this report, SQA has investigated ways of enhancing quality assurance, including using technology to support the work of Marking Teams. These investigations have included pilot activities and research on best practice with other awarding bodies.

For the 2006 Diet, SQA piloted a system that involved marking from paper but with the facility for Markers to enter marks directly into a computer system. This year, this pilot was extended to include e-marking from scanned image. (The Courses marked were Higher and Intermediate 2 National Courses in ESOL.)

Seven SQA Marking Teams used electronic entry while still marking from paper, and two Marking Teams marked from scanned images. This included 193 candidate scripts at Higher, from 19 centres; and 392 candidate scripts at Intermediate 2, from 25 centres.

Both activities included the use of 'check scripts' before 'live' marking. These are papers that had been pre-marked by the Examining Team. The marks allocated by Markers were then

compared to those given by the Examining Team to check that the Markers were in line with the standards set by the Examining Team.

The evaluation report on the 2007 pilot, completed in September, recommended the extension of e-marking of external assessments. It also recommended that SQA should consider further development of the Quality Assurance model that supports e-marking; and that, in due course, SQA should look at marking according to Markers' specialist knowledge.

For the 2008 Diet, all scripts for nine external assessments will be marked online. Those being marked from scanned images are:

- ◆ Computing Studies (Intermediate 1)
- ◆ English for Speakers of Other Languages (Intermediate 2)
- ◆ English for Speakers of Other Languages (Higher)
- ◆ Mathematics (Intermediate 1)

Those marking from paper scripts are:

- ◆ Psychology (Higher)
- ◆ Mathematics (Higher)
- ◆ Physics (Advanced Higher)
- ◆ Computing (Higher)
- ◆ Information Systems (Higher)

The main focus of the 2008 development will be proving the enhanced Quality Assurance model.

Improving the way SQA works

In 2006–07, SQA started the first phase of an integrated Human Resources and Financial software system. This year, it set up a first-line support team to maintain and develop the system and to provide support to users.

A number of reviews were completed during the year to establish whether the expected benefits of the new software have been fully realised. These reviews identified areas where business processes could be further enhanced and streamlined by developing the system.

Next year, the system will extend to include enhanced business reporting, electronic purchase order processing, and self-service functionality for managers and staff across the organisation.

As part of a continuous drive to make SQA's processes more efficient and effective, SQA approached a comparable organisation — the Council for the Curriculum, Examinations and Assessment (CCEA), in Northern Ireland — to undertake benchmarking. This is a method of comparing organisations and their processes. This work follows on from CCEA's participation in Audit Scotland's recent Performance Management Study of SQA. Developing a relationship with CCEA will help build a wider programme of benchmarking activity.

To date, the two organisations' processes for measuring corporate performance have been reviewed. This first exercise helped to refine the approach to be used for benchmarking other processes.

Shared services

Last year, SQA moved into the Optima building in Glasgow where Learning and Teaching Scotland is also based. There are a number of services that are shared between SQA and LTS, including cleaning, security, access control management, general maintenance, and print. This year, the two organisations investigated the potential for more service sharing service, and started discussions on joint provision of publishing, web hosting and IT services, including an IT server strategy, IT back-up strategy and Helpdesk service.

A review of the potential for joint service provision, focusing initially on recruitment, Equality and Diversity, Distribution, facilities, and development of Gaelic Language Plans has been completed. A report with recommendations for these areas was discussed at a joint meeting of the two Executive Teams in February. Any progress in these areas will be subject to announcements on the outcome of the Scottish Government's review of public bodies.

6 Performance

This section shows SQA's 'Balanced Scorecard' for 2007-08. This is the tool SQA uses to measure its performance against the indicators and targets that have been agreed with the Scottish Government.

SQA - Balanced Scorecard 2007-08							SCORE	Comment	Meet or Surpass	
Outcomes	Ref	Measures:	Target	FULL YEAR						
			2007/8	Actual	Target					
Portfolio	a	1	achieve diet performance measures & certification targets	100.0%	100.0%	100.0%	100.0%	All targets achieved	M	
		2	achieve development targets for qualifications & services	100.0%	97.3%	100.0%	97.3%	NOPD, NGGA, PDAs & HN Mods - on target	M	
		3	deliver the accreditation service & development activities	94.5%	301	374	80.4%	Of the 396 submissions made to Accreditation Co-ordination Group, 301 or 76% of them were within the 30 day SLA. This is an Overall Success Rate of 80.4%.	S	
	b	4	increase uptake in target markets by 3% v LY	103.0%	107,446	105,895	101.5%		S	
		5	achieve commercial targets	100.0%	106.9%	100.0%	106.9%		S	
	c	6	improved teaching staff understanding of standards	105.0%	9,692	2,711	357.5%	cpd instances - PDWs, QNs, Academy participation, USW hits (weighted)	S	
		7	achieve satisfaction with our cpd offering of at least	100.0%	97.0%	100.0%	97.0%	based on satisfaction surveys	S	
Partnership	d	8	increased satisfaction with our services	81.0%	81.6%	81.0%	100.8%		S	
		9	achieve stakeholder satisfaction with SQA of at least	70.0%	YTS	70.0%	YTS		S	
	e	10	improved contribution to policy developments	75.0%	YTS	75.0%	YTS	Engagement plan approved and in place.	S	
		11	have effective relationships with identified key partners	100.0%	YTS	100.0%	YTS		S	
People	f	12	improved skills, environment & access to information	95.5%	97.3%	95.5%	101.9%		S	
		13	achieve employee attendance levels of at least	100.0%	612.2	629.0	97.3%		M	
		14	adhere to core funded headcount levels	100.0%	2,539	2,571	98.8%		M	
		15	achieve 100% of agreed PMR development requests	80.0%	YTS	YTS	YTS	survey not carried out in March 2008. 2006-7 result was 79%	S	
		16	maintain the level of employees 'proud to work for SQA' at	100.0%	(1.2%)	100.0%	(1.2%)	A number of targets supporting this measure were achieved, including reducing paper waste and car mileage. However, some targets were not met and issues continue with utilities comparisons between Optima building in Glasgow and previous Glasgow offices following relocation in Summer 2006, making the target 'red'.	S	
Process	g	17	improved use of technology	100.0%	100.0%	100.0%	100.0%	funding secured and spending plans in place; evaluation framework in place	M	
		h	18	more efficient processes & infrastructure	100.0%	99.7%	100.0%	99.7%		S
			19	achieve financial targets	100.0%	£340k	£250k	136.0%		S

Note -
We aim to surpass certain targets where higher than target rating is desirable - eg 'increase uptake in target markets' - marked S and have one set of tolerances. Other targets can only be met not exceeded - e.g. achieve a set number of milestones

Targets we aim to SURPASS	Targets we aim to MEET
< 90% = red	<90% or >110% = red
> 90% but < 95% = amber	>90% but <95% or >105% but <110%=amber
> 95% = green	> 95% or <105% = green

7 The future

The SQA Corporate and Business Plan 2008-11 sets out the organisation's short- and medium-term goals in line with guidance from Scottish Ministers on national policy priorities, particularly the recent publication of *Skills for Scotland: A Lifelong Skills Strategy*. These Corporate and Business Plan objectives were also driven by the SQA Board of Management's assessment of the environment in which SQA operates, taking account of SQA's recent progress. You can read more about SQA's response to the drivers in its operating environment in the Management Commentary for 2007-08.

For 2008-11, SQA has six high-level objectives:

- Objective 1 Provide qualifications, services and support to match the needs of individuals, society and the economy of Scotland
- Objective 2 Inform and support national policy development and implementation
- Objective 3 Re-design our services and processes to make them better to use and more efficient
- Objective 4 Develop a highly-skilled, motivated and effective workforce
- Objective 5 Increase the use of SQA qualifications and services nationally and internationally
- Objective 6 Provide a service which promotes and maintains public confidence in accredited qualifications and approved awarding bodies

8 Remuneration Report

1 Our staff

The remuneration for our Executive Team is set by our Remuneration Committee, a sub-group of our Non-Executive Board. In reaching its recommendations it has regard to:

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

Our Executive Team is responsible for the management of our business. The Chief Executive is appointed by our Non-Executive Board, subject to approval of Scottish Ministers. The Chief Executive 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 notice period of three months.

The remuneration of staff below the senior management team is determined by the organisation in conjunction with its trade unions, complying with Scottish Government Pay Policy and Guidance to ensure affordability. The pay settlements for staff are developed with our Partnership Group to ensure they motivate, recruit, and retain staff.

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

2 Pension provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. Employee contributions are set at 6% for LGPS and 6.4% for Scottish Teachers' Superannuation Scheme of pensionable earnings. For 2007-08 employer's contributions of £2,297,000 were payable in total. These contributions were based on 16.2% for LGPS pensionable pay and 13.5% for SPPA pensionable pay.

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

3 Our Non-Executive Board

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

The Chairman was appointed in 2004 for a period of four years. The Chairman's level of remuneration is set and reviewed annually by the Scottish Government.

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

4 Remuneration Committee

The Remuneration Committee, a sub-group of our Non-Executive Board, agrees the Executive Team's pay policy in accordance with the Scottish Government.

Audited element of Remuneration Report

5 Disclosure of remuneration

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

	Age	Salaries and other payments		Benefits in kind	
		£'000	£'000	£	£
		2008	2007	2008	2007
Chairman					
John McCormick	63	10 - 15	10 - 15		
Chief Executive					
Dr Janet Brown	56	115 - 120	5 - 10	6,400 ²	500 ²
Non-Executive Board Members					
Anthony Cassidy	63	0 - 5	0 - 5		
Judith Gillespie	61	0 - 5	0 - 5		
Prof Alex MacLennan	55	0 - 5	0 - 5		
Linda McKay MBE	56	0 - 5	0 - 5		
John Mitchell	63	0 - 5	0 - 5		
Margaret Nicol	59	0 - 5	0 - 5		
Gordon Rodgers	51	0 - 5	0 - 5		
Prof John Simmons	60	0 - 5	0 - 5		

	Age	Salaries and other payments		Benefits in kind	
		£'000	£'000	£	£
Directors					
Maidie Cahill	51	65 - 70	75 - 80		100 ¹
Tom Drake (retired 01/10/07)	62	35 - 40	90 - 95		
Karen McCallum	45	65 - 70	50 - 55	100 ¹	100 ¹
John McDonald	50	65 - 70	65 - 70	200 ¹	300 ¹
Ron Sylvester	57	80 - 85	85 - 90		
John Young	60	75 - 80	70 - 75	200 ¹	400 ¹

Benefits in kind are: ¹ Profit element of mileage
 ² Company car

The figures for year ended 31 March 2008 do not include Director's bonuses as these have not yet been agreed. Figures for the year ended 31 March 2007 include Directors' bonuses.

The remuneration paid during the financial year is disclosed above. Board payroll, travelling and subsistence costs are given in Board and Committee expenses in note 7 to the accounts.

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

	Age	Real Increase in Pension	Total Accrued Pension at 31 March 2008	Cash Equivalent Transfer Value 31 March 2007	Cash Equivalent Transfer Value 31 March 2008	Real In/(De)crease in CETV
Chief Executive						
Janet Brown	56	1,573	1,582	131	240,953	240,817
Directors						
Maidie Cahill	51	710	4,778	46,350	60,373	12,262
Tom Drake*	62	N/A	N/A	N/A	N/A	N/A
Karen McCallum	45	1,026	1,461	6,042	15,775	9,503
John McDonald	50	1,212	5,681	172,742	214,505	35,199
Ron Sylvester	57	-	-	-	-	-
John Young	60	N/A	N/A	N/A	N/A	N/A

*Tom Drake retired on 1 October 2007.

N/A = Figures have not been made available by Scottish Public Pension Agency

Janet Brown, Maidie Cahill, Karen McCallum and John McDonald are ordinary members of the Strathclyde Local Government Superannuation Scheme. Tom Drake was, and John Young is, an ordinary member of the Scottish Government's Teachers' Superannuation Scheme. Ron Sylvester is not a member of either Superannuation Scheme.

Additional voluntary disclosures of remuneration

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

Annual remuneration	Number of staff
£50,000 - £60,000	6
£60,000 - £70,000	1

Dr Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

9 Statement on internal control 2007–08

Scope of responsibility

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

Under the direction of the Director for Finance and Corporate Performance, the Finance and Corporate Strategy and Governance Teams have been responsible for ensuring that the appropriate controls have been applied in finance and to the wider corporate planning and performance processes. These controls include:

- ◆ Monthly monitoring by Management Team of performance against budgets, operational plans, and the corporate risk register (Monthly Management Review). Copies of these reports are sent to our sponsor department.
- ◆ Further embedding of the corporate balanced scorecard and the introduction of operational scorecards for commercial activities and for the main diet of certification in August.
- ◆ On-going planning, monitoring, and reporting of processes leading to the main diet of August certification via Certification Planning Group which meets weekly to review a status report on progress and a risk register. Membership includes the Director of Operations (Chair), Acting Director of Qualifications, Business Managers, and a senior member of Customer Relations. During the year, the project team has worked with colleagues to improve metrics measuring our performance. Reports have continued to be shared with staff, the Audit and Performance Committee, and the Board, including an annual progress report against the performance measures set and agreed with the Scottish Government for the August diet of certification.
- ◆ Following appropriate legal advice — in-house and external — to ensure legal compliance and to inform policy and direction.
- ◆ Regular updating and twice yearly testing of business continuity plans.

Relationship to SQA's sponsor department

As Accountable Officer, I or members of the Executive Team meet with the Minister and/or colleagues at the Scottish Government every

month to provide an update on the organisation's progress. These meetings include discussion of policy development, performance, risks and financial position.

Prior to the submission of Corporate and Business Plans, SQA presents the proposed objectives and seeks the opinion of the sponsor department to confirm that they are in line with statutory requirements and policy direction. Where appropriate, the Corporate Plan has been supported by Business Cases, including an assessment of options and risks associated with undertaking areas of work.

A representative of our sponsor department attends meetings of the Board as an observer and copies of the committee's papers are forwarded to our sponsor department.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SQA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

SQA introduced a risk management framework in August 2005. Risks are identified, reported on, and monitored according to this framework. The framework was implemented with supporting guidance on how to manage risks. As part of the internal audit activity for 2007-08, an independent review of our risk management arrangements confirmed that the organisation had made good progress in embedding this framework with evidence that the management team review risks on a monthly basis, and subsequently at the Board on a quarterly basis. The review made a number of recommendations on areas for improvement, including scope to improve the guidance on risk management, which is being revised.

The risk and control framework

In keeping with SQA's risk management framework, a workshop was held with members of the Executive Team and Board of Management

to identify the key strategic risks facing the organisation for 2007-08. These risks were then included in the corporate risk register and assessed for probability and impact and remedial action. Within the business areas of SQA, there are operational risk registers. These risks are reviewed every month, but in more depth each quarter to determine if any require to be escalated to the Management Team and Board, if appropriate.

The review of risk management arrangements for 2007-08 suggested that SQA is beginning to become more confident in maximising opportunities, but there is still scope to increase the appetite for measured risk, particularly in commercial areas.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Board of Management

- ◆ The Board sets the strategic direction for the organisation through a robust process of review and approval of the Corporate and Business Plans which are submitted to Scottish Ministers.
- ◆ Progress against objectives within the Corporate and Business Plans is subject to review by the Board through the provision of quarterly business performance reports, including a review of the corporate balanced scorecard of key measures and the strategic risk register. Additional commentary for any measures or risks not progressing as planned is highlighted for the Board's attention. The Board continues to receive periodic reports from the chairmen of its committees concerning any significant matters of governance or internal control.

Audit and Performance Committee

- ◆ The Audit and Performance Committee provides relevant advice within its remit to the Board on matters related to governance, the management of identified risks, and effectiveness of the internal control system. This includes reviewing and approving internal and

external audit plans, advising on SQA's Annual Report and Accounts before submission to the Board, and ensuring compliance with corporate governance and legal directives.

- ◆ Follow-up action, addressing recommendations from a review of corporate governance arrangements, continues to confirm that SQA has appropriate management and reporting arrangements in place to satisfy an effective approach to corporate governance. These structures and processes are in line with best practice and take due cognisance of *The Good Governance Standards for Public Services* (published by CIPFA and OPM) and *On Board* (published by the Scottish Executive).

Internal Audit

- ◆ In accordance with our current contractual arrangements, SQA engages the services of independent internal auditors, PricewaterhouseCoopers, operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS). The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes and monitor progress with the implementation of agreed actions to address areas for improvement.
- ◆ The internal audit plan for 2007–08 was agreed by our Executive Team and endorsed by our Audit and Performance Committee. Although outsourced, this activity is internally managed by the organisation's Business Manager for Corporate Strategy and Governance team. The team works in partnership with the internal auditors to monitor and report on audit activity, including tracking progress in addressing internal and external audit recommendations. SQA's team of in-house internal auditors continues to monitor progress towards the main diet of certification in August, providing Critical Success Factor monitoring reports for each meeting of the Audit and Performance Committee.

Audit Scotland — Performance Management Review

Following Audit Scotland's study of performance management within SQA during 2006–07, the organisation has continued to address each of the matters highlighted as areas for improvement.

In summary, these have included the introduction of corporate balanced scorecard and the development of a more strategic, higher level Corporate and Business Plan for 2008-11. We have also continued to review operational and staffing plans to develop a deeper understanding of the link between costs and activities. Benchmarking activity has been undertaken this year with CCEA, an organisation broadly comparable to SQA. A programme of benchmarking activity has been developed for next year.

Programme of Continuous Improvement

During the year, SQA has embarked on a programme of continuous improvement covering six strands of activity, including qualifications development, approval and verification, and commercial work. This has involved mapping out current processes to identify scope for improvement and greater efficiencies in ways of working. The work to date has led to organisational restructuring to align the business with these processes and identified a number of improvement projects which have been assigned priority, timescale, and owner. There will also be further work undertaken to identify and document new processes using a new software process management tool.

A Programme Board and a Change Management team have been set up to govern the next steps in taking forward this programme of improvement, reporting to Executive Team and the Board.

These developments have been discussed and agreed with the Board and colleagues at the Scottish Government.

My overall review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

Janet Brown
Accountable Officer and Chief Executive
Scottish Qualifications Authority

10 Independent Auditor's Report

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

I have audited the financial statements of Scottish Qualifications Authority for the year ended 31 March 2008 under the Education (Scotland) Act 1996. These comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board, Chief Executive and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the sections, Who We Are And What We Do, Our Operating Environment, How We Operate, Our Objectives For 2007-08, Management Commentary section on People, Overall Performance and Future Plans, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in

the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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

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

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in

the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements


In my opinion

- ◆ the financial statements give a true and fair view, in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers, of the state of affairs of Scottish Qualifications Authority as at 31 March 2008 and of the excess of expenditure over income, total recognised gains and losses and cash flows for the year then ended
- ◆ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education (Scotland) Act 1996 and directions made thereunder by the Scottish Ministers
- ◆ information which comprises the sections, Who We Are And What We Do, Our Operating Environment, How We Operate, Our Objectives For 2007-08, Management Commentary section on People, Overall Performance and Future Plans, included in the Annual Report is consistent with the financial statements

Regularity

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

Signature


Senior Audit Manager
Audit Scotland
Floor 7
Plaza Tower
East Kilbride
G74 1LW

Date

Redacted - section 38(1)(b)

11 Accounts 2007–08

Group Income and expenditure account for the year to 31 March 2008

	Notes	2008 £'000	2007 £'000 Restated
Income			
Entry charges	3	36,882	34,786
Less share of joint venture turnover	13	(1,069)	(581)
EU funding	4	722	818
Other income	5	6,729	7,583
		43,264	42,606
Expenditure			
Staff costs	6(1)	22,936	21,237
Depreciation and other amounts written off tangible and intangible fixed assets	11,12	2,357	1,987
Other operating expenditure	7	34,817	41,548
		60,110	64,772
Excess of expenditure over income before interest		(16,846)	(22,166)
Share of operating gain of joint venture before interest	13	711	379
		(16,135)	(21,787)
Investment income	9	345	234
Share of investment income of joint venture	13	28	19
Interest payable	10	(552)	(582)
Excess of expenditure over income after interest		(16,314)	(22,116)
Share of tax from joint venture	13	(226)	(110)
Excess of expenditure over income after tax		(16,540)	(22,226)
Add back notional cost of capital	1(12)	1,285	1,167
Excess of expenditure over income for the year		(15,255)	(21,059)
Revenue reserves brought forward	17	(2,240)	6,477
Government funding	17(1)	15,909	16,005
Transfer from revaluation reserve of excess depreciation	17	453	469
Revaluation realised on disposal	17	-	1,583
Capital funding released	17	1,159	1,751
Actuarial gains/(losses)	17	6,872	(7,211)
Prior year adjustment	24	-	(255)
Revenue reserves carried forward		6,898	(2,240)

All operations are continuing.

The notes on pages 59 to 80 form part of these accounts.

Group Statement of total recognised gains and losses for the year to 31 March 2008

	Note	2008 £'000	2007 £'000
Excess of expenditure over income for the year		(15,255)	(21,059)
Government funding	17(1)	15,909	16,005
Unrealised surplus on revaluation of fixed assets	17	1,458	154
Unrealised surplus on investments for unfunded pensions	17	33	1
Actuarial (losses)/gains	17	6,872	(7,211)
Total recognised gains/(losses) relating to the year		<hr/> 9,017	<hr/> (12,110)
Prior year adjustment		(255)	
Total recognised gains/(losses) since last annual financial accounts		<hr/> 8,762	<hr/> (12,110)

The notes on pages 59 to 80 form part of these accounts.

Group Balance sheet at 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000 Restated
Fixed assets			
Intangible assets	11	621	342
Tangible assets	12	10,336	9,409
Investments in joint venture			
Share of gross assets	13	1,087	694
Share of gross liabilities	13	(374)	(206)
Other investments	13	344	313
		<u>12,014</u>	<u>10,552</u>
Current assets			
Debtors	14	13,038	12,446
Cash at bank and in hand		-	65
		<u>13,038</u>	<u>12,511</u>
Creditors: amounts falling due within one year	15	(9,571)	(9,753)
		<u>3,467</u>	<u>2,758</u>
Net current assets			
		<u>15,481</u>	<u>13,310</u>
Total assets less current liabilities			
Provisions for liabilities and charges	16	(380)	(450)
Defined benefit asset/(liability)	22	4,405	(2,721)
		<u>19,506</u>	<u>10,139</u>
Net assets			
Capital and reserves			
Capital reserve	17	4,045	4,045
Capital grant reserve	17	4,536	5,345
Revaluation reserves	17	4,027	2,989
		<u>12,608</u>	<u>12,379</u>
Total capital reserves			
Revenue reserve	17	2,493	481
Defined benefit asset reserve	17	4,405	(2,721)
		<u>19,506</u>	<u>10,139</u>

The Annual Financial Accounts were approved by the Board of Management on 13 August 2008 and signed on its behalf by

Dr Janet Brown,
Accountable Officer
and Chief Executive
13 August 2008

SQA Balance sheet at 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000 Restated
Fixed assets			
Intangible assets	11	621	342
Tangible assets	12	10,336	9,409
Investments	13	544	513
		11,501	10,264
Current assets			
Debtors	14	13,038	12,446
Cash at bank and in hand		-	65
		13,038	12,511
Creditors: amounts falling due within one year	15	(9,571)	(9,753)
		3,467	2,758
Net current assets			
		14,968	13,022
Total assets less current liabilities			
Provisions for liabilities and charges	16	(380)	(450)
Defined benefit asset/(liability)	22	4,405	(2,721)
		18,993	9,851
Net assets			
Capital and reserves			
Capital reserve	17	4,045	4,045
Capital grant reserve	17	4,536	5,345
Revaluation reserves	17	4,027	2,989
		12,608	12,379
Total capital reserves			
Revenue reserve	17	1,980	193
Defined benefit asset reserve	17	4,405	(2,721)
		18,993	9,851

The Annual Financial Accounts were approved by the Board of Management on 13 August 2008 and signed on its behalf by

Dr Janet Brown,
Accountable Officer
and Chief Executive
13 August 2008

Cash flow statement for the year to 31 March 2008

	Notes	£'000	2008 £'000	£'000	2007 £'000
Net cash flow from operating activities	20(1)		(14,598)		(23,725)
Dividends from joint venture			288		
Returns on investments and servicing of finance					
Interest received		337		227	
Dividends received		8		7	
			345		234
Taxation					
Corporation tax paid		(255)			
			(255)		
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(469)		(314)	
Purchase of tangible fixed assets		(1,635)		(1,509)	
Receipts from sale of tangible fixed assets		-		7,082	
Receipts from funds transfer		2		1	
			(2,102)		5,260
Financing					
Additional funding from the Scottish Government		10,425		10,101	
Government funding		5,484		5,904	
Capital funding		348		2,290	
			16,257		18,295
(Decrease)/Increase in cash	20(2)		(65)		64

The notes on pages 59 to 80 form part of these accounts.

Notes to the accounts

1 Accounting policies

(1) Basis of preparation

The financial statements are prepared in accordance with the Government Financial Reporting Manual (FReM) and applicable accounting standards under the historical cost convention, modified by the revaluation of fixed assets and in accordance with the Accounts Direction given by the Scottish Ministers which is reproduced as page 81 of the accounts.

(2) Intangible assets

Software licences are disclosed as intangible assets in accordance with the FReM. The licences are amortised on a straight-line basis over their expected useful lives, which will be no greater than the legal term of the licence.

(3) Tangible assets

Land and buildings are valued at existing use value on the basis of a professional valuation in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual at regular intervals. Between valuations current cost is reflected by applying an inflation index to brought forward values. It is considered that the effect of revaluing other fixed assets as at 31 March 2008 would make no material difference to the results for the year or to the financial position at the year end.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The threshold for capitalising assets is £3,000.

(4) Depreciation

Depreciation is provided on all tangible fixed assets, other than land, on a straight-line basis at rates calculated to write off the cost, less estimated residual value, over their expected useful lives. Fixed assets are depreciated as follows:

Buildings	15 years
Computer equipment	2-7 years
Office equipment, motor vehicles and furniture	2-7 years
Internal improvements to office premises	10 years

(5) Investments

An investment in a joint venture company is accounted for using the Gross Equity Method, in accordance with FRS9.

Investments in stocks and shares are stated at market value. Revaluation gains are taken to revaluation reserves in the balance sheet. Revaluation losses are taken to revaluation reserves to the extent to which they reverse previously recognised gains and thereafter to the income and expenditure account.

(6) Leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the length of the lease. There are no assets held under finance leases.

(7) Government grants

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

(8) Pensions

All eligible employees are entitled to membership of the Local Government Superannuation Scheme (LGSS). New employees who are already members of the Scottish Government Teachers' Superannuation Scheme (TSS) are entitled to maintain their membership of that scheme. Employer's contributions to the TSS are accounted for as they fall due. Employer's contributions to the LGSS are accounted for under the requirements of Financial Reporting Standard 17. (See note 22).

(9) 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 or charges are recognised in accordance with the criteria and measurement bases of FRS 12 – Provisions, Contingent Liabilities and Contingent Assets.

(10) Liabilities

All material amounts outstanding as at 31 March 2008 have been brought into the Income and Expenditure Account irrespective of when actual payment was made.

(11) Income recognition

Income from entry charges for core awards is recognised as follows:

- a Externally assessed awards: income is recognised on completion of the course, and any income charged in advance is released to the income and expenditure account in the financial year during which the course is completed.
- b Internally assessed awards: income is recognised proportionately over the average duration of the course, except for National Courses where it is based on the level of verification carried out.

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

(12) Notional cost of capital

A notional charge to bring interest payable up to a 3.5% (2007: 3.5%) return on capital employed has been included in these accounts. SQA's entry and other charges do not include amounts to cover notional interest. This is not in strict accordance with Government guidance in the 'Fees and Charges Guide'. As SQA's charges are paid predominantly by other public sector bodies, and do not distort competition, the Scottish Government has indicated that it is content with this basis.

(13) Foreign currency transactions

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 balance sheet date. Any gain or loss arising on the restatement of such balances is taken to the income and expenditure account.

2 Segmental analysis

	Awarding and related activities £'000	Accreditation £'000	5–14 assessment programme £'000	Share of joint venture £'000	Total £'000
2008					
Income	52,967	1,545	502	-	55,014
Development funding	4,159	-	-	-	4,159
	57,126	1,545	502	-	59,173
Grant funding credited to reserves	(13,862)	(1,545)	(502)	-	(15,909)
	43,264	-	-	-	43,264
Expenditure	(58,058)	(1,550)	(502)	-	(60,110)
Excess of expenditure over income before interest	(14,794)	(1,550)	(502)	711	(16,135)
Net assets	18,459	205	129	713	19,506
2007					
Income	51,889	1,469	566	-	53,924
Development funding	4,687	-	-	-	4,687
	56,576	1,469	566	-	58,611
Grant funding credited to reserves	(13,970)	(1,469)	(566)	-	(16,005)
	42,606	-	-	-	42,606
Expenditure	(62,737)	(1,469)	(566)	-	(64,772)
Excess of expenditure over income before interest	(20,131)	(1,469)	(566)	379	(21,787)
Net assets	9,415	131	105	488	10,139

Awarding and related activities

SQA's principal activity is awarding, maintaining and developing qualifications within the Scottish Credit and Qualifications Framework. The level of entry charges is agreed by the Scottish Ministers each year after consultation with stakeholder representatives. 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 required separate funding with no cross subsidy from awarding activities.

5–14 assessment programme

The 5–14 assessment programme is funded by the Scottish Government. SQA is required to account separately for expenditure in this area. The level of grant is based on annual estimates and is agreed each year.

3 Entry charges

	2008	2007
	£'000	£'000
National Qualifications:		
National Courses and Units	17,612	16,620
SCE Standard Grade	11,208	11,216
Late Appeal Charges	24	14
	<hr/> 28,844	<hr/> 27,850
Higher National Qualifications	4,029	3,841
Scottish Vocational Qualifications	2,940	2,514
Share of Joint Ventures Entry Charges	1,069	581
	<hr/> 36,882	<hr/> 34,786

4 EU funding

European Social Fund	570	571
ESF Prolongation	-	107
English for Speakers of Other Languages	152	140
	<hr/> 722	<hr/> 818

5 Other income

Consultancy, secondments and research	1,159	825
Street Works Qualifications Register	496	399
Commercial testing services	2,983	1,958
Sale of publications	75	97
Royalty income	330	190
Miscellaneous income	1,686	4,114
	<hr/> 6,729	<hr/> 7,583

6 Employees and members

(1) Staff costs

	2008	2007
	£'000	£'000
Salaries and wages	17,263	16,325
Seconded staff	413	445
Seasonal and agency staff	1,193	1,338
Social security	1,264	1,282
Superannuation	152	150
Defined benefit operating cost	2,649	1,362
Early retirement	-	212
Severance and compensation	2	123
	<hr/> 22,936	<hr/> 21,237

Remuneration of the Chief Executive and other members of the Executive Board are detailed in the Remuneration Report.

(2) Staff numbers

	2008 Number	2007 Number
Annual full time equivalents:		
Awarding and related activities		
Permanent	582	602
Fixed term	49	41
Secondees	8	13
Agency	51	75
	<hr/> 690	<hr/> 731
Accreditation	22	21
5-14 assessment programme	10	10
	<hr/> 722	<hr/> 762

(3) Non-Executive Board Members

	2008 £'000	2007 £'000
Fees and remuneration	<hr/> 50,980	<hr/> 55,555

The remuneration paid during the financial year to all Non-Executive Board Members is noted in the Remuneration Report. Board payroll, travelling and subsistence costs are included in Board and Committee expenses in note 7. Board members are listed on page 43.

Due to the nature of Scottish Qualifications Authority's operations and the composition of its Board, it is very likely that transactions will take place with companies or other organisations in which a member may have an interest. All transactions involving companies or organisations in which a member may have an interest were conducted at arm's length and made in the normal course of business (see note 23).

7 Other operating expenses

		2008	2007
		£'000	£'000
Staff related costs	7(1)	2,578	2,472
Board and committee expenses		98	211
Appointee release compensation		1,426	1,332
Appointee fees		11,556	11,159
Appointee expenses and related costs		2,354	2,197
Business development specialists' fees and expenses		4,466	4,763
Question paper production and printing		513	664
Assessment stationery and certificates		1,126	418
Property expenses		4,021	3,833
Equipment and supplies		842	1,118
IT costs		1,486	1,651
Postage and telephones		1,590	1,693
PR, marketing and publications		1,589	2,173
Miscellaneous		1,172	7,864
		<hr/> 34,817	<hr/> 41,548

(1) Staff related costs

		2008	2007
		£'000	£'000
Staff travel		808	899
Staff subsistence		166	193
Catering for internal and examination procedures meetings		188	174
Staff training		792	581
Miscellaneous staff costs		624	625
		<hr/> 2,578	<hr/> 2,472

8 Income and expenditure items

Included in total expenditure are the following costs which are required to be disclosed:

		2008	2007
		£'000	£'000
External audit fees		52	45
Internal audit fees		55	79
Bad debts written off		179	53
Property rentals and service charges		2,469	2,716
Hire of office and computer equipment		415	421

9 Investment income

		2008	2007
		£'000	£'000
Income from investments for unfunded pensions		8	7
Other interest income		337	227
		<hr/> 345	<hr/> 234

10 Interest payable

	2008 £'000	2007 £'000
Finance cost of discounted SQA unfunded pensions provision	25	23
Defined benefit finance cost	(758)	(608)
Notional interest on capital employed at 3.5% (2007: 3.5%)	1,285	1,167
	<hr/> 552	<hr/> 582

11 Intangible assets

	Software licences £'000
Cost:	
At 1 April 2007	938
Additions	469
Disposals	(179)
At 31 March 2008	<hr/> 1,228
Amortisation:	
At 1 April 2007	596
Charge for year	190
Disposals	(179)
At 31 March 2008	<hr/> 607
Net book amount:	
At 31 March 2008	<hr/> 621
At 31 March 2007	<hr/> 342

Software licences are disclosed as intangible assets in accordance with government accounting practice.

The licences are amortised on a straight-line basis over their expected useful lives.

12 Tangible assets

	Feuhold land	Feuhold buildings	Leasehold building improve- ments	Vehicles, office and printing equipment	Computer hardware	Computer software	Construc- tion in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:								
At 1 April 2007	428	3,909	3,069	1,490	2,868	4,488	148	16,400
Revaluation adjustment	97	215	-	-	-	-	-	312
Additions	-	24	16	68	739	450	338	1,635
Transfers	-	-	-	-	-	70	(70)	-
Disposals	-	-	-	(59)	(121)	(22)	-	(202)
At 31 March 2008	525	4,148	3,085	1,499	3,486	4,986	416	18,145
Accumulated depn:								
At 1 April 2007	-	789	248	793	2,201	2,960	-	6,991
Revaluation adjustment	-	(1,147)	-	-	-	-	-	(1,147)
Charge for year	-	531	202	271	397	766	-	2,167
Disposals	-	-	-	(59)	(121)	(22)	-	(202)
At 31 March 2008	-	173	450	1,005	2,477	3,704	-	7,809
Net book amount:								
At 31 March 2008	525	3,975	2,635	494	1,009	1,282	416	10,336
At 31 March 2007	428	3,120	2,821	697	667	1,528	148	9,409

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

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

The difference between the existing use value and market value of Dalkeith is due to the fact that the property in Dalkeith is well suited to SQA's operational requirements. It is unlikely that in its current

configuration, a suitable tenant/owner occupier would be found if the property became vacant.

The comparable amounts on a historical cost basis for feuhold buildings at the balance sheet date are:

	Feuhold buildings £'000
Historical cost	2,434
Accumulated depreciation	(2,052)
Net book amount	<u>382</u>

13 Investments — Group

		31 March 2008 £'000	31 March 2007 £'000
Awards UK Limited — share of assets	13(1)	1,087	694
Awards UK Limited — share of liabilities	13(1)	(374)	(206)
Investments for unfunded pensions	13(2)	344	313
		<u>1,057</u>	<u>801</u>

Investments — SQA

		31 March 2008 £'000	31 March 2007 £'000
Awards UK Limited	13(1)	200	200
Investments for unfunded pensions	13(2)	344	313
		<u>544</u>	<u>513</u>

(1) Awards UK Limited

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

Awards UK is registered in England, and is run as a joint venture, with the object of awarding SVQs and NVQs as a one stop service for customers who wish to obtain the qualifications awarded by both parties, without the inconvenience of two different administrative systems.

Awards UK has been accounted for as a Joint Venture in the group balance sheet. In accordance with FRS9 requirements, SQA's investment in Awards UK is valued in the Balance Sheet at SQA's share of Awards UK assets less SQA's share of Awards UK liabilities. SQA's share of operating profit, investment income and tax has been brought into the Income and Expenditure Account.

(2) Investments for unfunded pensions

	British government securities £'000	Investment deposit account £'000	Total £'000
Market value at 1 April 2007	308	5	313
Additions	-	8	8
Disposals	-	(10)	(10)
Revaluation	33	-	33
	341	3	344

14 Debtors

	31 March 2008 £'000	31 March 2007 £'000 Restated
Trade debtors	2,500	2,350
Amounts owed by Awards UK Limited	53	30
Other debtors	34	70
Prepayments and accrued income	10,451	9,996
	13,038	12,446

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

Other central government bodies	150	26
Local authorities	91	89
NHS trusts	9	9
	250	124

Included within other debtors are loans to staff amounting to £33,000 (2007: £63,000).

15 Creditors: amounts falling due within one year

	31 March 2008 £'000	31 March 2007 £'000 Restated
Trade creditors	289	979
Income tax and social security	2,895	2,887
Other creditors	343	441
Accruals	2,117	1,590
Deferred income	3,927	3,856
	9,571	9,753

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

Other central government bodies	-	12
Local authorities	15	14
	15	26

16 Provisions

	SQA unfunded pensions £'000	Early retirements & severance £'000	Total £'000
At 1 April 2007	368	82	450
Paid during year	(13)	-	(13)
Release of provision	-	(82)	(82)
Finance cost of discounted provision	25	-	25
	380	-	380
At 31 March 2008	380	-	380

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

Group Reserves

	Capital reserve	Capital grant reserve	Revaluation reserves			Revenue reserves			Total reserves
			Land and buildings	Investments for unfunded pensions	Total	Revenue reserve	Defined benefit liability reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	4,045	5,345	2,962	27	2,989	736	(2,721)	(1,985)	10,394
Prior period adjustment	-	-	-	-	-	(255)	-	(255)	(255)
Restated at 1 April 2007	4,045	5,345	2,962	27	2,989	481	(2,721)	(2,240)	10,139
Revaluation surplus	-	-	1,458	33	1,491	-	-	-	1,491
Realised on depreciation	-	-	(453)	-	(453)	453	-	453	-
Movement on pension deficit	-	-	-	-	-	(254)	254	-	-
Actuarial gain	-	-	-	-	-	6,872	-	6,872	6,872
Released to the I&E account	-	(1,159)	-	-	-	1,159	-	1,159	-
Deficit for the year	-	-	-	-	-	(15,255)	-	(15,255)	(15,255)
Government funding	-	350	-	-	-	15,909	-	15,909	16,259
At 31 March 2008	4,045	4,536	3,967	60	4,027	2,493	4,405	6,898	19,506

SQA Reserves

	Capital reserve	Capital grant reserve	Revaluation reserves			Revenue reserves			Total reserves
			Land and buildings	Investments for unfunded pensions	Total	Revenue reserve	Defined benefit liability reserve	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	4,045	5,345	2,962	27	2,989	448	(2,721)	(2,273)	10,106
Prior period adjustment	-	-	-	-	-	(255)	-	(255)	(255)
Restated at 1 April 2007	4,045	5,345	2,962	27	2,989	193	(2,721)	(2,528)	9,851
Revaluation surplus	-	-	1,458	33	1,491	-	-	-	1,491
Realised on depreciation	-	-	(453)	-	(453)	453	-	453	-
Movement on pension deficit	-	-	-	-	-	(254)	254	-	-
Actuarial gain	-	-	-	-	-	6,872	-	6,872	6,872
Released to the I&E account	-	(1,159)	-	-	-	1,159	-	1,159	-
Deficit for the year	-	-	-	-	-	(15,480)	-	(15,480)	(15,480)
Government funding	-	350	-	-	-	15,909	-	15,909	16,259
At 31 March 2008	4,045	4,536	3,967	60	4,027	1,980	4,405	6,385	18,993

(1) Government funding

	2008 £'000	2007 £'000
Scottish Government 5–14 programme	502	566
Scottish Government accreditation	1,545	1,469
Scottish Government development	3,437	3,869
	<hr/>	<hr/>
	5,484	5,904
Total additional funding received	10,775	12,391
Additional funding credited to capital grant reserve	(350)	(2,290)
	<hr/>	<hr/>
	15,909	16,005
	<hr/>	<hr/>

18 Commitments

Annual commitments under operating leases are as follows:

Leases of office equipment expiring:		
	within 1 year	183
	within 2 to 5 years	21
Leases of land and buildings expiring:		
	within 1 year	-
	within 2 to 5 years	24
	in over 5 years	1,149

SQA has an annual lease commitment for the Optima building of £1,149,000. An initial rent free period was applicable and spread evenly throughout the term of the lease. An agreement has been entered into with the Scottish Government whereby they will refund SQA this cost. The annual lease commitment for the year ended 31 March 2008 was £1,398,000, which does not take into account the initial rent free period. The cost is included in property expenses (note 7) and the refund is included in government funding (note 17).

19 Contingent liabilities

As SQA is an NDPB, in the event of the sale of the property at Ironmills Road, Dalkeith, all proceeds must be remitted to the Scottish Government.

20 Notes to cash flow statement

(1) Reconciliation of operating deficit to net operating cash flows

	2008 £'000	2007 £'000
Excess of expenditure over income before interest	(16,846)	(22,166)
Depreciation	2,357	1,987
(Gain) on disposal of fixed assets	0	(2,692)
Decrease/(increase) in debtors	(592)	368
(Decrease) increase in creditors	73	(614)
(Decrease) in provisions	(94)	(148)
(Increase)/decrease in defined benefit liability	504	(460)
Net cash flow from operating activities	(14,598)	(23,725)

(2) Reconciliation of movement in cash and overdrafts

Closing cash balance	-	65
Less: opening cash balance	(65)	(1)
Increase / (decrease) in cash	(65)	64

(3) Reconciliation of cashflow to net debt

(Decrease) in cash	(65)	64
Movement in net funds / (debt)	(65)	64
Net funds at end of previous year	65	1
Net funds at end of year	-	65

(4) Analysis of movement in net debt

	1 April 2007 £'000	Cash flows £'000	31 March 2008 £'000
Cash, overdrafts and liquid resources	65	(65)	-
	65	(65)	-

21 Post balance sheet events

There are no significant post balance sheet events requiring disclosure.

22 Pensions

All eligible employees are entitled to membership of the Strathclyde Local Government Superannuation Scheme (LGSS). New employees who are already members of the Scottish Government Teachers'

Superannuation Scheme (TSS) are entitled to maintain their membership of this scheme.

The LGSS is a group defined benefit scheme covering employees of the former Strathclyde Regional Council and other admitted bodies and responsibility for the management of the fund rests with the Strathclyde Pension Fund administered by Glasgow City Council. The TSS is a group defined benefit scheme covering teachers and related occupations and is the responsibility of the Scottish Public Pensions Agency. This scheme is unfunded. 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, and contributions during the year totalled £2,297,000 (2007: £2,049,000), consisting of £2,145,000 (2007: £1,899,000) to the LGSS Scheme and £152,000 (2007: £150,000) to the TSS Scheme. Included within creditors are outstanding contributions of £252,000 (2007: £225,000) due to the LGSS scheme and £18,000 (2007: £19,000) due to the TSS scheme at 31 March 2008.

Actuarial valuations for both schemes are prepared regularly with the last LGSS valuation to 2005 and the last TSS valuation being to 2001. Details of these valuations can be obtained from published reports.

SQA is notified by both responsible bodies of the employer's contribution rates for each scheme. The LGSS, based on the 2005 valuation, have set rates based on employees' salaries as follows: 2007-08 16.2% and 2008-09 16.8%. The TSS has set rates at 13.5% for 2008-09.

The Scottish Public Pensions Agency has not provided information to enable SQA to identify its share of the liabilities of the TSS at 31 March 2008.

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

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2008 £'000	31 March 2007 £'000
Opening defined benefit obligation	55,009	43,541
Current service cost	2,642	1,995
Past service cost	37	(537)
Interest cost	3,043	2,658
Contributions by plan participants	803	742
Actuarial losses	(12,287)	7,251
Losses on curtailments	-	77
Benefits paid	(731)	(718)
Closing defined benefit obligation	<u>48,516</u>	<u>55,009</u>

Changes in the fair value of the plan assets are as follows:

Opening fair value of plan assets	52,288	46,963
Expected return on assets	3,801	3,266
Contributions by plan participants	803	742
Contributions by employer	2,175	1,995
Actuarial gains	(5,415)	40
Benefits paid	(731)	(718)
Closing fair value of plan assets	<u>52,921</u>	<u>52,288</u>

It is estimated that employer's contributions for the year to 31 March 2009 will be approximately £2,237,000.

The major categories of plan assets are as follows:

	31 March 2008 £'000	31 March 2007 £'000
Equities	38,421	38,375
Bonds	7,618	6,410
Property	5,208	5,214
Cash	1,674	2,289
Total fair value of plan assets	<u>52,921</u>	<u>52,288</u>

The amounts recognised in the balance sheet are as follows:

	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000	31 March 2004 £'000
Present value of funded obligations	(48,296)	(54,762)	(43,288)	(34,235)	(38,275)
Fair value of plan assets	52,921	52,288	46,963	35,667	29,675
	<hr/> 4,625	<hr/> (2,474)	<hr/> 3,675	<hr/> 1,432	<hr/> (8,600)
Present value of unfunded obligations	(220)	(247)	(253)	(207)	(166)
(Deficit)/asset	<hr/> 4,405	<hr/> (2,721)	<hr/> 3,422	<hr/> 1,225	<hr/> (8,766)
Amounts in the Balance Sheet:					
Liabilities	-	(2,721)	-	-	(8,766)
Assets	4,405	-	3,422	1,225	-
Net (liability)/asset	<hr/> 4,405	<hr/> (2,721)	<hr/> 3,422	<hr/> 1,225	<hr/> (8,766)

The amounts recognised in the profit or loss are as follows:

	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Current service cost	2,642	1,995
Interest on obligation	3,043	2,658
Expected return on plan assets	(3,801)	(3,266)
Past service cost	37	(537)
Losses on curtailments and settlements	-	77
Total	<hr/> 1,921	<hr/> 927
Actual return on plan assets	<hr/> (1,614)	<hr/> (3,306)

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (ie as at 31 March 2008 for the year to 31 March 2009).

The amounts recognised in the statement of total recognised gains and losses are as follows:

	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Actuarial gains and (losses) arising on the defined benefit obligation	12,274	(7,251)
Actuarial gains and (losses) arising on the fair value of plan assets	(5,415)	40
Actuarial gain / (loss) recognised in STRGL	<hr/> 6,859	<hr/> (7,211)

The principal actuarial assumptions at the balance sheet date are as follows:

	31 March 2008	31 March 2007
Pension increase rate	3.6%	3.2%
Salary increase rate	5.1%	4.7%
Return on assets	7.1%	7.1%
Discount rate	6.9%	5.4%

23 Related parties

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

The SGSD is regarded as a related party. During the year SQA has had various material transactions with the Directorate. At the year end, £80,000 (2007: £20,000) was owed to SQA. In addition, SQA has had material transactions with the Scottish Government's Lifelong Learning Directorate (SGLLD). At the year end, there were no balances outstanding (2007: £6,000). Grant funding received from the Scottish Government is disclosed in note 17.

During the year SQA made cost recharges and sold goods and services in the ordinary course of business totalling £332,000 (2007: £206,000) to Awards UK Limited, a 50% owned joint venture company (see note 12), none of which was outstanding as at 31 March 2008. SQA Directors John McDonald and Ron Sylvester hold the position of Board Members there.

During the year SQA levied entry charges totalling £249,000 (2007: £211,000) to Jewel and Esk Valley College. In addition, £5,000 (2007: £88,000) of charges were incurred by SQA from Jewel and Esk Valley College. These transactions were in the normal course of business. At the year end £3,000 (2007: £14,000) was owed to SQA. Jewel and Esk Valley College is a related party as SQA Director, Ron Sylvester, holds a position on the Board of Management at the College.

During the year SQA levied entry charges totalling £357,000 (2007: £230,000) to Forth Valley College. In addition, SQA incurred charges of £74,000 (2007: £227,000) from Forth Valley College. These transactions were in the normal course of business. At the year end £2,000 (2007: £4,000) was owed to SQA. Forth Valley College is a related party as SQA Board Member, Linda McKay, holds the post of Principal there.

During the year SQA levied entry charges totalling £276,000 (2007: £276,000) to Stevenson College. In addition, £83,000 (2007: £118,000) of charges were incurred by SQA from Stevenson College. These transactions were in the normal course of business. At the year end £87,000 (2007: £7,000) was owed to SQA. Stevenson College is a

related party as SQA Director, Maidie Cahill, holds the position of Board Member and Vice-Chair there.

During the year, SQA incurred charges of £59,000 (2007: £55,000) from Heriot-Watt University. These transactions were made in the normal course of business. Heriot-Watt University is a related party as SQA Board Member Professor John Simmons held the positions there of Professor of Mechanical Engineering and Head of the School of Engineering and Physical Sciences until his retirement from the University on 30 September 2007.

During the year, SQA levied charges of £70,000 (2007: £86,000) to Learning and Teaching Scotland. In addition, SQA incurred charges of £77,000 (2007: £37,000) from Learning and Teaching Scotland. These transactions were in the normal course of business. At the year-end £18,000 (2007: £10,000) was owed to SQA. Learning and Teaching Scotland is a related party as SQA Board Member, John Mitchell, holds the position of Board Member there and another SQA Board Member, Margaret Nicol, holds the position of member of the Advisory Council there.

During the year, SQA levied entry charges of £139,000 (2007: £1,000) to Madras College. Additionally, SQA incurred charges of £6,000 (2007: £nil) from Madras College. These transactions were in the normal course of business. Madras College is a related party as Board Member, Margaret Nicol, holds the position of Principal Teacher there.

SQA is a member of the Scottish Credit and Qualifications Framework, a company limited by guarantee with company number SC311573. The other members of the company are: the Association of Scotland's Colleges; Scottish Ministers; Quality Assurance Agency for Higher Education and Universities Scotland. The SCQF Partnership is also a related party as SQA Director, John Young, holds the position of Board Member there. There were no transactions between the SCQF Partnership and SQA during the year.

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

24 Prior period adjustment

- (1) Comparative figures have been restated to correct a fundamental error in the financial statements for the year ended 31 March 2007. Since completion of the 31 March 2007 financial statements, SQA has become chargeable to Corporation Tax on some of its activities. This has resulted in SQA paying £255,000 of Corporation Tax in respect of the year ended 31 March 2007. This had not been accrued in the financial statements for the year ended 31 March 2007. The result of

the prior period adjustment has been to reduce the revenue reserve by £255,000 to £193,000 which has reduced net assets to £9,851,000.

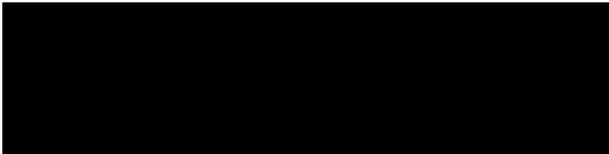
- (2) The approach previously adopted for the presentation of Accrued Income and Deferred Income in SQA Accounts was agreed with Audit Scotland. During the course of the audit for year ended 31 March 2008, Audit Scotland have revised their opinion on how SQA should account for these items. SQA has, as a result of this and in line with the new guidance, adopted an alternative accounting practice which reduces the amount of both Accrued Income and Deferred Income accounted for in the year. Comparative figures have been restated to reduce Accrued Income by £5,874,000 and reduce Deferred Income by £5,874,000. There is a nil effect on profit for the year ended 31 March 2007 and nil effect on net assets at 31 March 2007.



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.



Redacted - section 38(1)(b)

Signed by the authority of the Scottish Ministers

Dated 3/ January 2006