

# **Annual Report and Accounts 2008–09**

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# Chairman's statement

It is my pleasure to introduce the Scottish Qualifications Authority's Annual Report and Accounts for 2008–09. I became Chairman of the SQA in February 2009 – almost at the end of the financial year covered by this report and would like to pay tribute to my predecessor, John McCormick, for the leadership and wisdom he provided to the SQA during his four-year tenure.

I have greatly appreciated the warm welcome extended to me by the SQA's management and staff, my fellow Board members and our stakeholders.

This report highlights SQA's work to ensure that qualifications achieved by learners in Scotland continue to have world-wide credibility built on high standards. SQA also wants to ensure that individuals and employers have access to the right qualifications which will ensure their continued progress. On the evidence provided in this report of the organisation's performance last year, I have every confidence that we will meet our objectives and outcomes.

SQA relies on strong relationships with sector partners and the efforts of SQA staff and appointees and I am pleased to be chairing the Board which has a clear understanding of the need to continue to improve and a determination to deliver its responsibilities.

# Chief Executive's statement

This year has seen many developments, with the Scottish Government placing learning at the heart of its vision for a 'Smarter Scotland'.

The publication of Scotland Performs by the Scottish Government clearly sets out its purpose, objectives and outcomes. The National Performance Framework was published as part of the 2007 Spending Review, which draws on the success of the outcomes-based performance model used in the Commonwealth of Virginia in the United States.

All public bodies are required to review their objectives and outcomes, and align them to the National Outcomes. During the course of 2008–09, SQA has developed its forward operating plan to reflect the way we contribute to Scotland Performs.

The Government continues to have learning and skills at the heart of its economic strategy, and the Scottish education and lifelong learning landscape continues to develop to respond to changing needs. The developments underway as a result of the introduction of Curriculum for Excellence are aimed at enabling all young people to succeed and gain the skills they will require both as individuals and to contribute to the wider economy.

We will continue our work over the coming year and look forward to achieving our objectives.

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# 1 Who we are and what we do

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

The core purpose of SQA is to set and maintain standards in education and training through the qualifications and assessment we deliver in schools, in colleges, and in workplace learning. In addition, 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 show the achievements of the individual.
- ◆ They provide a record of an individual's progression as they develop through life, allowing them to build on their prior learning and move onto next steps.

SQA qualifications must:

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

There are SQA qualifications for everyone:

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

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

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

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

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

## **SQA Accreditation**

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

You can read more about qualifications developments, and SQA's work in Accreditation in 2008–09 in the Management Commentary.



## 2 Our operating environment

This Annual Report focuses on SQA's progress in achieving the objectives set out in its Business Plan 2008–09. At the beginning of this period, SQA's Board of Management identified a number of factors that will drive the organisation's activities:

- ◆ Work with partners to ensure that the Scottish education and training system operates efficiently, flexibly and seamlessly around individuals' varied learning pathways to support the implementation of the Skills for Scotland Strategy.
- ◆ Promote and maintain confidence in Scottish educational standards, raising awareness of the quality of our vocational education system, through our accrediting and regulatory role.
- ◆ Be ready to respond to Ministerial decisions on the future of qualifications and assessment as the Curriculum for Excellence programme moves on to the next stage.
- ◆ Provide qualifications to support people in work, and to serve the needs of businesses that drive the Scottish economy, as well as finding ways to re-engage those hardest to reach.
- ◆ Work with partners to ensure that individual learners achieve their ambitions, and to make sure that Scotland's skills pool is well matched to the needs of our growth industries.
- ◆ Understand, appreciate and value the diversity of people, and adopt measures to make staff and users feel valued and able to achieve their full potential.
- ◆ Build on good practice from the Higher National Modernisation programme to ensure that high quality, relevant and flexible qualifications are available at all levels of the Scottish Credit and Qualifications Framework.
- ◆ Pursue commercial opportunities and explore wider markets to enhance the recognition of Scottish qualifications worldwide, and to provide additional investment in our qualifications and services for Scotland.

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

### The economic downturn

The Scottish Government continues to maintain its vision of sustainable economic growth, and has responded to the changing economic environment by publishing an Economic Recovery programme. One aspect of this requires that both government and the public sector review activities to ensure a focus on lessening the immediate short-term

impact of the recession while continuing the key investment and development necessary to drive economic recovery access.

SQA has been involved in a number of Scottish Government activities including:

- ◆ Assisting Scottish Government and other partners (Skills Development Scotland, Scotland's colleges and Alliance of Sector Skills Councils) with work on how to assist Modern Apprentices who are made redundant. Initial activity has focused on the Construction area. Our role is to look at flexible credit-transfer possibilities where the learner is unable to complete their Modern Apprenticeship programme.
- ◆ The Scottish Funding Council has allocated additional funds to Scotland's colleges to allow them to respond quickly and flexibly to local redundancies. SQA has been developing a response that would be most effective in supporting people who have been made redundant or moved to shorter working time.

SQA has a development programme for vocational group awards, which we are working on with Scotland's Colleges and other stakeholders. We are reviewing our planned development programme to see if the economic downturn has affected priorities for development.

We have also started a piece of work to review how well our qualifications meet the needs of employers.

We have introduced a new category of qualification — small flexible awards — to be able to respond flexibly to need eg developing small awards in employability working with Skills Development Scotland.

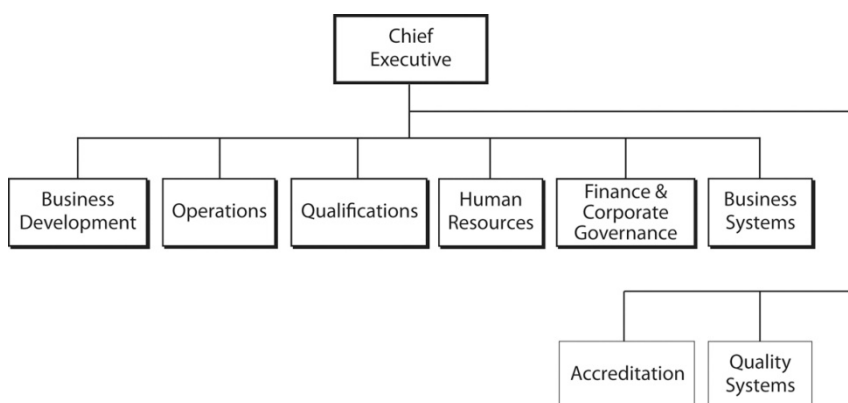
We will continue to review our development activities to ensure they are meeting needs of Scotland and its people.

### 3 How we operate

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

SQA works with colleagues in the 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. The SQA has adopted a more strategic approach to partnership working across the education and training sectors in recent years, and recognises that the National Performance Framework and Skills for Scotland: A Lifelong Skills Strategy will demand even closer collaboration with colleagues across public services.

SQA is building its capacity to become a more flexible organisation, able to anticipate and respond quickly to the needs of Scottish employers, educators, learners and policy-makers while maintaining the quality of its qualifications and services. To this end, SQA restructured during 2008–09 into six directorates, a clearly defined Accreditation function and a new Quality Systems unit. This structure will support our transition to more market-, customer- and product-focused ways of working.



We also established a team of 'champions' whose role is to:

- ◆ Raise awareness of continuous improvement and the benefits it can bring across the organisation.
- ◆ Support process management and review at a local level to ensure we continue to evolve and improve our customer focus, quality and efficiency.

SQA has undertaken to embed efficiency and make best use of public resources across all aspects of its business. SQA aims to generate profits from some aspects of its activity, for example work in international markets, for the benefit of Scottish learners.

## 4 SQA's objectives for 2008–09

SQA's Corporate Plan for 2008–11, which includes detailed Business Plan objectives for 2008–09, addresses the strategic drivers set out in Section 2 by focusing on six high-level objectives.

**Key Objective 1:** Provide qualifications, services and support to match the needs of individuals, society and the economy of Scotland.

- ◆ Optimise fit and coherence of our qualifications, services and support with stakeholder needs and objectives.
- ◆ Promote understanding, choice and effective delivery of our existing products, services and support.
- ◆ Manage on-going assessment and its quality assurance and certification.

**Key Objective 2:** Using our unique data and resources, inform and support national policy development and implementation.

- ◆ Become a recognised provider of leading edge ideas and robust evidence.
- ◆ Maintain influential communications with key decision-makers, opinion leaders and policy partners.

**Key Objective 3:** Enhance our services and processes to make them better to use and more efficient.

- ◆ Develop and implement improvements to systems and processes.
- ◆ Achieve agreed Efficient Government savings.

**Key Objective 4:** Develop a highly-skilled, motivated and effective workforce.

- ◆ Provide effective leadership and direction.
- ◆ Plan and manage individual and organisational development, resources and performance.
- ◆ Manage recruitment, retention and reward.
- ◆ Manage our appointees effectively.

**Key Objective 5:** Increase the use of our qualifications and services nationally and internationally.

- ◆ Increase the use of our qualifications and services in Scotland and the UK.
- ◆ Increase the use of our qualifications and services in targeted international markets.
- ◆ Establish an effective commercial infrastructure to support increased use of our qualifications and services.

**Key Objective 6:** Provide a service which promotes and maintains public confidence in accredited vocational qualifications and approved awarding bodies.

- ◆ Deliver our Accreditation service.
- ◆ Develop our Accreditation service in line with national policy.

The Management Commentary in Section 5 has been divided into four sections to reflect the four areas of the SQA Balanced Scorecard, which appears in Section 6. The Balanced Scorecard is the tool SQA uses to measure its performance against the targets set by Scottish Government.

The four areas on the Balanced Scorecard are:

- ◆ SQA's portfolio of qualifications and services.
- ◆ SQA's 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.

# **5 Management Commentary**

## **5.1 Portfolio of qualifications and services**

### **Curriculum for Excellence**

Curriculum for Excellence was launched by the Scottish Executive in November 2004. It is designed to provide a seamless education from ages 3 to 18 in Scotland. The Scottish Qualifications Authority is one of the four national partners — alongside the Scottish Government, Learning and Teaching Scotland, and Her Majesty's Inspector of Schools — in the Curriculum for Excellence programme of work. We are involved in all strands of activity. Our principal role is to contribute to work on the design and policy for qualifications and assessment, a key strand of the programme. The Chief Executive of SQA is a member of the Curriculum for Excellence Management Board.

Before April 2008, SQA conducted an extensive programme of research, literature review, international comparisons and stakeholder engagement involving over 70 schools and 27 Further Education colleges, more than 300 focus group interviews, and 11 national workshops and seminars. The outcomes generated advice to Scottish Government that helped shape consultation on the next generation of National Qualifications.

This year, our programme of research, literature review, and external and internal stakeholder engagement has informed the development of models for the design and assessment of qualifications. These, in turn, have been used by Scottish Government to advise the Curriculum for Excellence Management Board.

We have supported the work of our partners in Scottish Government, Learning and Teaching Scotland, and Her Majesty's Inspector of Schools by contributing to work on the development of curriculum outcomes and experiences, the assessment framework, the skills framework, programme-level project management, and the Scottish Government's consultation on the next generation of national qualifications.

The Ipsos MORI independent report on the consultation responses was published in February 2009. We expect the Scottish Government's response later this year. Following this response, we plan a sustained programme of communication and engagement that will be designed to fully involve, inform and engage schools and colleges.

The Curriculum for Excellence Management Board is currently discussing the design and structure for the new qualifications and their assessment. In line with our normal processes, we will be ensuring that partners and colleagues will be fully involved in the development of the

new qualifications through the work of qualifications design teams, working groups and quality assurance groups. We also intend to use web-based communication and discussion tools to help all stakeholders to be kept informed of and involved in the development.

We are currently recruiting our development team. It will be in place by the autumn.

## **Scottish Baccalaureates**

Following the Cabinet Secretary's announcement in June 2008, we developed the Scottish Baccalaureates in Science and in Languages. They are made up of two Advanced Highers and one Higher from the eligible list of subjects, plus an Interdisciplinary Project Unit.

The new feature — the Interdisciplinary Project (IP) — gives the added value to this qualification by developing a range of high-level generic and cognitive skills that are recognised and valued by further and higher education institutions and by employers. Learners apply their knowledge and skills in meaningful broad contexts that relate to the world in which they live, learn and work.

Plans are in place to provide a high level of support to centres intending to deliver one or more of the Scottish Baccalaureates in session 2009–10. For further information, please go to [www.sqa.org.uk/baccalaureates](http://www.sqa.org.uk/baccalaureates).

Feedback on the awards has been very positive, and interest is high. We are now investigating the feasibility of any further Scottish Baccalaureates, and will undertake an evaluation after the first year of delivery. We have made plans to put support networks for centres in place, and to deliver External Verifier training in interdisciplinary approaches to generic/cognitive skills.

## **Modernisation of Higher National Qualifications**

The Higher National Modernisation programme began in August 2003, and was completed in November 2008. SQA's partners in the programme included 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 aimed 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.

- ◆ As a result of the modernisation programme, the HN Catalogue was reduced from 800 to just fewer than 250 Group Awards.

Qualifications validated and made available to centres as at 31 March 2009:

	Presented for validation:		
	Apr 08 to Mar 09	Total	Available to centres
HN Modernisation	52	247	242

- ◆ All colleges participated in the development process, and following staff development and capacity-building, worked closely with SFEU and COLEG to produce staff development workshops and teaching and learning materials. Several hundred assessment exemplars and 10,000 e-assessment items (covering 100 units) have been produced to support modernised qualifications through ESF funding.

Two surveys were conducted during the year:

- 1 Evaluation of the new Design Principles. This showed that, in the main, centres are happy with the 2003 Design principles, though the report highlighted some implementation issues that still need to be addressed.
- 2 Consultation on the HN Modernisation Project exit strategy. Centres recognised the benefits of having a coherent, fit-for-purpose catalogue of HN qualifications, and indicated a keen willingness to continue the strong partnerships that had developed over the modernisation period.

A report detailing the recommendations and issues identified by the HN Key Partners Group, and the measures that have been put in place to address them, was posted on the HN pages of SQA's website. These formed a central part of the agenda for the HN Conference, which was held in November 2008. The conference report is also on the website.

As part of the transition from Modernisation to 'steady state', two further surveys were undertaken:

- 1 Centre feedback on modernised awards. In October 2008, a pro forma was issued to centres, inviting their feedback on: the content and structure of modernised consortium-developed awards; how they assess Units and Graded Units; and any other comments they wished to make. A total of 30 responses, covering 21 awards, were received.



The results were used by Heads of Service and Qualifications Managers to identify any areas of concern in individual awards.

- 2 HN and PDA Annual Report. We consulted with centres as to whether they would welcome an annual report along similar lines to that produced for NQs. As a result of the positive response and feedback as to content and timing, November 2008 saw the introduction of the first HN & PDA Annual report for 2009–10. This report provides details on various development work on HNs and PDAs, and is aimed at SQA Co-ordinators and practitioners in Scotland's colleges to help with planning for the next academic session. It is intended that this report will be produced annually. The report is also published on SQA's web site.

## **National Qualification Group Awards Development Programme**

SQA's new National Certificates and National Progression Awards (NPAs), which are both at SCQF levels 2–6, provide progression routes from the least advanced levels into employment and Higher National Certificates/Diplomas and other awards. These higher levels are where a significantly higher percentage of Scotland's people will need to be if the Scottish economy is to remain competitive in the future. National Certificates and NPAs are collectively known as National Qualifications Group Awards (NQGAs).

This year, we established the management arrangements for the NQGA Development Programme, including setting up the NQGA Key Partners' Group and NQGA Programme Board. We completed preliminary research for 12 high-priority occupational sectors. We also carried out similar research for generic servicing areas such as Communication and Project Planning.

To align the NQGA Development Programme with the Scottish Government's economic priorities, SQA commissioned an economic analysis to ensure that priority areas would be tackled immediately and benefits could be identified to show the return for investment. The additional investment would support the release of subject experts to come together to write and develop the new qualifications. This needed to be done as part of a quality assured process. It needs to be co-ordinated nationally, and aimed at making regular updating sustainable.

Matched funding was sought from Europe to significantly increase the value of Scotland's investment by 'e-enabling' the qualifications, providing teaching and learning materials, and supporting staff development.

SQA established a Communications Strategy for NQGAs, which includes:

- ◆ a web-based NQGA Development Schedule providing centres with a list of all National Certificates and National Progression Awards (NPAs) under revision/development
- ◆ NQGA Conference
- ◆ visits to Scotland's Colleges
- ◆ participation with other key national stakeholders, including the Sector Skills Scotland
- ◆ publications and marketing documentation

In 2008–09, £800,000 was invested in the NQGA Development Programme through a partnership approach with the Scottish Government, the Scottish Funding Council, and SQA. SQA, in partnership with Scotland's Colleges, also secured European Social Fund (ESF) funding to develop new and innovative resources to provide added value to National Certificates and NPAs. This includes e-assessment, supported by a range of web-enabled teaching and learning resources across 14 curriculum areas. Approximately 50% of these e-assessments are being written to include formative feedback. These materials are in the final stages of quality assurance, and will be available from August 2009.

Status of new qualifications validated and available to centres as at 31 March 2009:

	Presented for validation:		
	Apr 08 to Mar 09	Total	Available to centres
National Certificate	32	43	18
NPA	31	114	91

Pilots have been conducted in which a number of centres have led the development of specialist National Certificates and NPAs, with SQA supporting the developments.

The third annual National Qualifications Group Award Development Conference was held. It focused on Making Connections. 120 delegates attended from centres, employers and other education and training organisations. The conference included workshops on partnership working, Curriculum for Excellence, developing assessment and support materials, Core Skills and other transferable skills, and professional development for staff, as well as an insight into the delivery of National Certificates and NPAs in schools and colleges.

Feedback from the conference was positive with delegates highlighting a good balance of topics and excellent opportunities to network. The next steps will include the establishment of an NQGA Project Board. Centres will be invited to identify, in consultation with SQA, where specialist single centre and specialist collaborative devised National Certificates and NPAs will be required. Marketing of specialist developments will take place, and centres will be supported by SQA through this process. Marketing and promotional materials, including case studies, will be developed. A further consortium-devised 43 National Certificates and 100 National Progression Awards will be available to centres by end August 2009.

## **Refresh of Core Skills**

There was a recognised need to refresh some aspects of the Core Skill Framework. The aims were to update it in line with current thinking and practices, to encourage access to qualifications and recognition of achievement (particularly for learners who find standard units too challenging), and to better meet the needs of employers and the economy.

The refresh has resulted in the launch of new qualifications. Their implementation was supported by events for a range of sectors including school, college, workplace and community-based learning. We also published support materials and raised awareness through presentations at national and local events. This included new, smaller units in Communication and Numeracy at SCQF levels 2 and 3. The updating of SQA's Understanding Standards website to reflect changes was also commissioned and completed.

Feedback from events has been welcoming overall, particularly for the smaller units and for modifications to Working with Others. Core Skill qualifications are now in their implementation phase, and we are supporting delivery in centres.

## **Professional Development Awards**

Professional Development Awards (PDAs) are specialised qualifications that allow learners to build on their existing qualifications or experience, and facilitate career development. In line with Skills for Scotland Strategy, the aim is to address current and projected skills shortages at intermediate professional and technical levels with high quality education and training aligned to National Occupational Standards and/or professional body requirements. Previous work had established a framework for the development of vocationally-focused Group Awards at SCQF level 9 and above, linked to National Occupational Standards (NOS).

The development of these awards commenced in 2007, and over 70 PDAs were developed or revised prior to April 2008. The on-going activity is scheduled to continue until December 2010.

Qualifications validated and made available to centres as at 31 March 2009:

	Presented for validation:		
	Apr 08 to Mar 09	Total	Available to centres
PDAs	29	67	67

Subjects include:

- ◆ Security Systems at SCQF level 6
- ◆ Management Accounting at SCQF level 7
- ◆ Working with Asylum Seekers and Refugees at SCQF level 7
- ◆ Police Service Leadership and Management at SCQF level 9
- ◆ Advanced Graphic Design at SCQF level 9
- ◆ e-learning at SCQF level 8
- ◆ Administration Management at SCQF level 8

In the early stages we held three launches around Scotland. Since then, we have delivered workshops on PDAs in SQA's Higher National (HN) and Customer Conferences. Between April 2008 and March 2009, we accessed approximately £230,000 for developing PDAs from the HN Project Board. PDAs are developed in partnership or collaboration with industry.

Feedback has been positive, with particular interest from the college sector in PDA development at SCQF level 9 and above. Although the project will end in December 2010, PDA development will continue as demand requires.

## Skills for Work

Skills for Work Courses were one of the first outcomes of Curriculum for Excellence. They play an important role in helping learners to develop the four capacities. Skills for Work Courses provide young people with a hands-on, experiential learning programme in a vocational context that helps them develop generic employability skills. The Courses are principally aimed at young people in S3 and S4, but are also being used by learners in S5 and S6. 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.

To build on the success of the Skills for Work Courses that are already available, SQA developed an additional three Skills for Work Courses for delivery from August 2009:

**Intermediate 1 (SCQF level 4)**

Creative Digital Media  
Health Sector

**Higher (SCQF level 6)**

Beauty

In August 2008, SQA issued certificates to 2,533 candidates who had successfully completed their Skills for Work Courses. The uptake of these Courses continues to grow.

Regional quality assurance is an interesting development. Quality assurance is locally co-ordinated and managed, and is supported nationally by SQA. It is designed to enhance shared understanding of standards and instil confidence in assessors and internal verifiers that standards are being consistently applied. A pilot of regional quality assurance began in 2007, and saw Highland Council quality assure the Skills for Work Rural Skills Course in the Highland area. In 2008–09 this was extended to include the Skills for Work Courses in Construction, Hospitality and Sport and Recreation. The approval processes for these Courses were also successfully incorporated into the regional quality assurance model.

An interim evaluation of the pilot was conducted in June 2008, and judged it to have been a success so far. The model aims to offer valid and robust internal and external quality assurance while maintaining the national credibility of Skills for Work Courses over the longer term.

A further evaluation of the regional quality assurance model will be conducted towards the end of the pilot.

SQA has received funding from the European Social Fund (ESF) to increase access to Skills for Work Courses, and we have developed a programme including e-portfolios and games-based assessment to support learners. We are working with LearnTPM to customise an existing software package, Thinking Worlds, which was produced by Caspian Learning. Learners in the Retailing and Health Sector Skills for Work Courses can interact in a virtual environment.

The software for games-based assessment will be available for use in schools and colleges from August 2009.

## More Choices, More Chances

It is widely recognised that there are too many young people in Scotland who are not provided with appropriate opportunities to participate actively in education, employment or training. SQA, as the national awarding body, has an important role to play in the Government's More Choices, More Chances agenda to ensure that there is equality of opportunity in all SQA qualifications.

A range of activities have taken place including:

- ◆ Three More Choices, More Chances events in Glasgow, Inverness and Ayr showcasing a range of SQA centre activity and a range of SQA qualifications that can be used to re-engage learners. SQA centre presentations included the Three Towns Motoring Project from North Ayrshire, and the JET Programme (Jobs, Employment and Training) from Edinburgh.
- ◆ Supporting SQA centres to deliver a range of qualifications through Action Research projects. The qualifications included English, Personal Development, Mountain Biking, Kayaking and Canoeing.
- ◆ Identifying opportunities for Third Sector organisations to deliver SQA qualifications including work with Barnardo's and the GalGael Trust.
- ◆ Engaging with local authorities and a range of organisations to identify how SQA qualifications can support new initiatives such as 16+ Learning Choices and Inspiring Scotland.

Outcomes include:

- ◆ Increasing awareness of the range of SQA qualifications and how these can be used flexibly to meet learners needs.
- ◆ Increasing the use of SQA qualifications in context of More Choices, More Chances.
- ◆ Developing 11 good practice case studies exemplifying the use of SQA qualifications to re-engage learners including Early Education and Childcare, Hairdressing, Business Administration and Personal Development.
- ◆ Filming learning activities in two SQA centres, demonstrating flexible assessment, video evidencing, local partnership work and approaches to engaging vulnerable young people in qualifications.
- ◆ Increasing activity with a range of sectors including community learning and development, training providers and youth workers.
- ◆ Assisting in the development of qualifications that complement activities that help vulnerable and disengaged learners to gain qualifications, eg small awards in employability developed jointly with Skills Development Scotland.

SQA's approach is on-going, and is designed to respond to the changing political, social and economic landscape. There will be continued dialogue and effort to support activities taking place in a variety of settings. SQA's activities will include:

- ◆ Continuing to work with key partners and stakeholders and increased partnership activity.
- ◆ Organising events, workshops and seminars.
- ◆ Establishing an Inclusion Forum bringing together key partners and stakeholders with an interest in activities designed to increase choice and opportunity; tackling inequalities and assisting all learners to overcome barriers to inclusion.
- ◆ Further developing web resources, eg case studies, and video footage that will be available to centres highlighting examples of innovative practice and the flexible use of SQA qualifications.
- ◆ Supporting a range of organisations in delivering SQA qualifications.

## **Piloting flexible credit**

There has been articulation between Higher National Qualifications and degree programmes for many years, initially through the Scottish Credit Accumulation and Transfer Scheme, and latterly through the SCQF. However, recognising partly-completed degrees for credit towards Higher National Qualifications has been less successful, due to very specific content and evidence requirements. Therefore in June 2007, SQA's Qualifications Committee approved a more flexible credit transfer policy. It allows SQA centres to recognise candidates' qualifications from other awarding bodies and/or other experiential learning to count towards SQA group awards based on a broad match of content/experience. This flexible credit policy is in addition to the specific credit transfer arrangements that are already in place.

Since approval of the policy, SQA has been approached by three centres to approve flexible credit requests. These have been used to pilot implementation of the policy to resolve any issues, and develop guidance for SQA and centre staff, external verifiers and other organisations.

Two requests involving two-way articulation agreements between Higher National Qualifications and degree programme have been received — one between Aberdeen College and Robert Gordon's University, and the other between Borders College and Heriot Watt University. In both examples, college staff have worked closely with University colleagues to match the HN programmes with years 1 and 2 of the respective degree programmes. Both requests have been subject to verification, and agreement has been reached on the flexible credit arrangements

that can be applied to students opting to change from the degree programme to the HNC or HND.

A third request involved flexible credit towards an HND programme and study at a Danish college. In this example, Scottish students studied for three months at the Niels Brock Business College in Copenhagen where they undertook broadly equivalent Units, which were delivered and assessed in English and matched against the European framework.

Additionally, SQA worked in partnership with Glasgow Caledonian University's Centre for Research and Lifelong Learning, resulting in SQA delivering workshops to a range of UK and international delegates at the SCQF International Conference in March 2009.

An evaluation of the pilot has been undertaken to identify operational and guidance issues. These will now be taken forward in 2009–10 with a view to publishing guidance, case study materials and operational information for centres.

## **Candidate Attitude Survey**

SQA undertakes a candidate survey every two years. (The first was carried out in 2006 and the report for that survey is available on the SQA website as Research Bulletin 23.) During the summer and autumn of 2008 around 6,000 candidates were given the opportunity to feed back their views on a range of issues related to their qualifications. A satisfactory response rate was achieved. The survey results will be published on the website in August 2009. There will be another survey in the summer of 2010.

## **Events and workshops**

From January to April 2008, SQA's Events team ran 22 events relating to qualifications. These included two events on Estimates and Appeals, and Professional Development Workshops (PDWs) in Assessor/Verifier training.

The aim of SQA's events and workshops is to help training providers understand and apply qualification and assessment standards effectively. They allow us to offer on-going support, and to share product information with teachers, lecturers and trainers.

In 2008–09, as well as continuing to develop online standards and training resources, SQA offered more than 90 events and workshops on information and developments in qualifications. More specifically, we held a series of 26 Professional Development Workshops (PDWs). Six of these focused on examinations issues in selected National Qualifications, and the rest focused on a range of training, assessment and quality assurance topics such as Developing Trainer Competence,



Delivery and Assessment of Refreshed PC Passport and Safety Qualification for Schools and Colleges, and Quality assurance for Schools.

Some of the topics covered by qualification teams' events included the Scottish Baccalaureates, Hospitality Skills Training for teachers, Access 3 for Chinese Languages, and an Introduction to Teaching ESOL.

Many events are evaluated on an individual basis. For example, feedback from the six PDW events indicated of the 565 attendees 79% were very satisfied, 19% were quite satisfied and the remaining 2% quite dissatisfied with the event.

SQA delivers an annual programme of events and workshops in partnership with appointees, SQA centre staff and representatives of awarding and industry bodies. In May 2009 SQA will launch support materials for Chinese languages that have been developed jointly with Hanban (Council of Chinese Language International).

In terms of ensuring transparency in qualifications developments, raising awareness of the role of appointees and offering opportunities for practitioners to be involved in the development and maintenance of SQA qualifications there is an Expression of Interest form on the HN web page. This will be extended for National Qualifications and profiled and promoted by Appointee Services throughout 2009.

SQA carries out a wide range of events and workshops every year and this will continue in 2009-2010. An important priority is encouraging greater synergy between online training resources, such as the Understanding Standards Website, SQA Academy and events.

## **2008 Certification**

One of SQA's primary responsibilities is the certification of National Qualifications for candidates in schools and colleges across Scotland. We undertake a year-round cycle of assessment design, recruitment of markers and other appointees, quality assurance of coursework, delivery of the Examination Diet and processing of appeals. We monitor our progress across this range of tasks throughout the year, and deliver the main run of certification in August in accordance with the key performance measures as agreed with the Scottish Government.

SQA met all the agreed 2008–09 performance targets. All candidates received their certificates on 5 August 2008. Candidates were also given the opportunity to receive their results by e-mail and text:

Certificates issued to candidates	158,627
Candidates who opted to receive results by e-mail	20,414
Candidates who opted to receive results by mobile phone text alert	13,574

Throughout the year, we also quality assure our wider portfolio of Higher National Qualifications and Scottish Vocational Qualifications. We produce certificates weekly, in line with our agreed schedules. In 2008–09 we certificated almost 165,000 Higher National or Scottish Vocational Qualifications.

## NQ Appeals 2008

SQA and its centres have a common aim — to ensure that awards received by each candidate undertaking SQA qualifications reflect their level of achievement. We worked in partnership with centres to ensure that the appeals process ran as efficiently as possible and that candidates received the outcome of their appeal as quickly as possible. This year appeals fell by 10.5%.

	2008	2007
Number of appeals	54,000	60,000
Percentage of total entries for Standard Grade and National Courses	4.7	5.2

All our Key Performance Indicators were met.

A series of improvements to the 2008 appeals process were introduced and were well received by centres. A detailed communication plan was established to support the process and ensure all centres were aware of the rationale for these changes. In addition, we held a number of workshops on generating alternative evidence and Estimates. They were well attended by centre representatives across the country.

Planning is well underway for the 2009 Appeals process, and we continue to work with centres to ensure that it runs as efficiently as possible while safeguarding the interests of candidates.

## Extending use of e-assessment

Over the past year SQA has continued to increase the use of e-assessment to support its qualifications — it is a strategic objective to develop e-assessment as a core part of our business. Under the Transforming Scottish Education Through Technology (TranSETT) and Skills for Scotland (S4S) projects, which are funded by the European Social Fund (ESF), SQA has:

- ◆ Commissioned the creation of banks of e-assessment questions for priority newly-developed National Certificates and National Progression Awards. These e-assessments are being developed in 15 areas by subject specialists. The areas include Built Environment, Sport and Fitness, and English for Speakers of Other Languages (ESOL). They will be made available through SQA's SOLAR e-assessment system from August 2009.
- ◆ Made available to its centres an e-portfolio to support the delivery of Skills for Work courses. The e-portfolio supports the reflective learning style encouraged through Skills for Work. Feedback to date has been very positive.
- ◆ Developed a games-based assessment approach for two of its Skills for Work courses. These assessments allow learners to be assessed while working through a simulated workplace using a games-like environment. Feedback from learners in particular has been very enthusiastic.
- ◆ Worked in partnership with Scottish Further Education Unit (SFEU) and COLEG (now Scotland's Colleges) to create teaching and learning support materials for Skills for Work courses and National Certificates/National Progression Awards.
- ◆ Held training events to raise awareness and encourage use of these teaching and learning support materials.
- ◆ Successfully submitted bids for ESF funding for a further two years for both the TranSETT and S4S projects to build on the work undertaken to date.
- ◆ Successfully submitted a new bid for the development of e-learning and e-assessment support materials for teachers delivering our ESOL qualifications.

In other work we have:

- ◆ Trialled the use of social software to assess group work. This trial involved two colleges and one course. Feedback from learners and teachers/assessors was sufficiently positive for SQA to seek to build on this work in future.
- ◆ With funding from the Scottish Government, developed banks of e-assessment questions for National Qualifications subjects at SCQF levels 4, 5 and 6.

- ◆ Held a large number of training and awareness raising events, and worked closely with centres to help promote uptake of the e-assessment materials and support we have developed.
- ◆ Participated in UK-wide e-assessment groups, for example the Becta e-Assessment Advisory Group, aimed at encouraging good and consistent practice in the use of e-assessment.
- ◆ Continued to expand the range of ways we use SQA Academy, our in-house e-learning product, to support staff. Over the year, SQA Academy has been successfully used to support joint work with SFEU and Learning and Teaching Scotland. The latter focused on helping teachers to use summative assessment for formative purposes.
- ◆ Updated the content of our Understanding Standards Website to meet continuing demand from teachers to be able to understand the standard applied in SQA's assessments.

An evaluation of the Understanding Standards Website and of the use of social software for assessment was completed over the past year.

Work continues to further increase the use of e-assessment for our qualifications. Our aim over the next year is to bring about a step-change in the way we think about and work with e-assessment. This will include work to:

- ◆ Further develop skills in SQA and our centres in working with e-assessment.
- ◆ Develop increasing volumes of e-assessment content and reduced volumes of paper.
- ◆ Develop products that include e-assessment at the design stage, including those being developed to support Curriculum for Excellence.
- ◆ Make use of social software and games-based approaches to assessment in a wider range of qualifications.

## **National Assessment Resource**

The successful delivery of Curriculum for Excellence (CfE) will require new and innovative approaches to teaching, learning and assessment. This makes it essential that the ICT infrastructure that underpins CfE facilitates innovation, and in particular the flexibility in assessment that is central to CfE.

With this in mind, SQA has been working collaboratively with Learning and Teaching Scotland (LTS) and the Scottish Government to put in place the National Assessment Resource (NAR). This will be capable of storing a wide range of types of assessment material, support and guidance that will be used to support CfE. This will include materials developed by SQA and by centres.

Between April 08 and March 09, working with LTS and Scottish Government, SQA has:

- ◆ Developed the detailed business case for the NAR.
- ◆ Secured Scottish Government approval for the business case in October 2008.
- ◆ Developed the detailed functional requirements for the NAR.
- ◆ Issued an invitation to tender based on the functional requirements and the context set out in the business case.
- ◆ Continued to ensure that the NAR is effectively built in to the planning for CfE. It will, for example, be used to support delivery of the new qualifications in Literacy and Numeracy that will be the first new qualifications under CfE.

SQA has also:

- ◆ Continued to build the NAR into its modernisation plans. It will, for example, provide a repository for all our assessment items and those developed by teachers and lecturers.
- ◆ Commenced the process of preparing some of its existing paper-based materials for uploading to the NAR when it becomes available.
- ◆ Ensured that it takes account of the NAR when planning its future Information Security strategy and infrastructure.

By March 2009, the business case had been approved and the Invitation to Tender for the NAR was issued. This effectively marked the end of the project-initiation phase. Based on the outcomes of the tender process, the delivery phase started in June 2009.

## **Assessment is for Learning**

SQA plays a key role in supporting the national assessment system by delivering the annual Scottish Survey of Achievement (SSA) and maintaining National Assessment Bank (NAB). The SSA, which is managed by Scottish Government, is a sample-based national survey that monitors how well pupils in Scotland are learning; the NAB is a web-based resource from which teachers can download national assessments in reading, writing and mathematics in English and Gaelic, to support and confirm their judgements about pupils' progress.

SQA works in partnership with Scottish Government, Learning and Teaching Scotland (LTS) and the wider education community in the design, development and delivery of assessments for the SSA and the NAB.

The 2008 SSA focused on Maths and Core Skills. A sample of 40,000 pupils in P3, P5, P7 and S2, from schools across Scotland, completed written assessments and were observed carrying out practical maths

investigations by Field Officers recruited from the school sector. SQA was responsible for designing and delivering the assessments, coding and moderating written assessments, training field officers, and supporting those involved in the survey with advice and guidance. This involved carrying out a range of tasks including:

- ◆ Organising the printing and distribution of approximately 100,000 written assessment booklets.
- ◆ Organising and quality assuring the marking and data capture of the 64,000 booklets returned.
- ◆ Organising on-line Field Officer training through SQA Academy.
- ◆ Organising and running the telephone Help-Line for schools and local authorities involved in the survey.

In addition, SQA organised and delivered a range of events and activities, including:

- ◆ a coding event for the returned written assessments
- ◆ a week-long moderation event of written assessments
- ◆ a face-to-face training event for field officers

Evaluation of the 2008 SSA and feedback from those involved, such as Field Officers, was extremely positive, and the results of the survey were published by Scottish Government at the end of March 2009. Future surveys will assess literacy and numeracy against Curriculum for Excellence outcomes and experiences.

An interim NAB has been made available to teachers until the new National Assessment Resource (NAR) is available in 2010. This will hold assessments created for the SSA, which will continue to support teacher judgements.

## **Accreditation**

In 2006–07 a review of SQA's Accreditation function recommended extending the remit of the accrediting body in Scotland to include all qualifications in Scotland other than degrees. Discussion continued in 2007–08 with Scottish Government colleagues on the ways these recommendations would support the Skills for Scotland: A Lifelong Skills Strategy. The review also recommended that the SQA Accreditation team should be restructured to create a dedicated Regulation team, ensuring the operational autonomy of SQA Accreditation. By July 2008, the re-organisation of the unit was fully embedded, although it is continuing to review, refine and improve internal processes.

In 2008–09, the SQA Accreditation team made progress in the following strands of work:

- ♦ on-going discussions with Scottish Government on an extended accreditation remit
- ♦ Accreditation Customer Survey
- ♦ SVQ credit rating/levelling

We continued an open dialogue with Scottish Government colleagues, responding to requests for information to support the extended remit. In October 2008, we received confirmation from the Cabinet Secretary for Education and Lifelong Learning that we could deliver an extended accreditation remit. During 2009–10, we will be putting in place the necessary processes, procedures and policies to support the extended remit.

### **SVQ credit rating/levelling**

The Scottish Government had provided £3m of funding over 2005–08 to 'kick-start' the allocation of SCQF credit to SVQs and their constituent units. This was with a view to increasing the credit rating and levelling skills within Sector Skills Councils (SSCs) and awarding bodies. This, in turn, would mean that credit rating and levelling could be built into the work undertaken by SSCs when reviewing and developing the National Occupational Standards and resultant SVQ structure.

We persuaded the National Occupational Standards Board that funding should be made available as a contribution to SSCs and awarding bodies to assist them in determining the allocation of SCQF credit to SVQs and their constituent units. SSCs submitted tenders, which have now been approved. SSCs and awarding bodies are now working on a significant number of developing SVQs to allocate SCQF credit and level. This will now become a mainstream activity for SSCs and awarding bodies.

### **Business Development and Customer Support Team**

SQA is committed to providing excellent customer service that is focused on customers' needs and supports their aspirations for the future. We have recently introduced a new structure for the Business Development and Customer Support team, which is arranged geographically.

Each geographic team acts as a single point of contact for a region and within each team there is a:

- ◆ Business Development Manager (BDM) who is field-based and will build and maintain a good working relationship with staff in our centres.
- ◆ Business Development Co-ordinator (BDC) and a Business Development Advisor (BDA) who are based in our Glasgow office, and who will work with the BDM to support and address centres' needs.

Each business team will become knowledgeable about each organisation and their specific needs, which will enable them to offer a better service to customers.

## **Promotional Activities**

In 2008–09, an extensive range of promotional activities supporting both corporate and specific qualifications/product objectives were undertaken. Underpinning these activities were the:

- ◆ Development and roll-out of a corporate sponsorship strategy.
- ◆ Co-ordination of SQA's presence at high profile conferences, eg Scottish Learning Festival (September) and British Education and Training Technology (BETT) (January).
- ◆ Distribution of a monthly 'e-zine' (including a special employer/training provider issue in August).

A number of projects were delivered in partnership, including a subject poster initiative for schools with Continuing Education Gateway, and the NQ Art Exhibition with the Scottish Parliament, National Galleries of Scotland and People's Palace.



## 5.2 Partnership

### SCQF Partnership

SQA was a key partner in the development of the SCQF, which underpins SQA's qualifications design principles. We contributed to the:

- ◆ Work on referencing the SCQF to the European Qualifications Framework (EQF), including responding to consultation and to the Quality Digest (a digest of the QA procedures).
- ◆ Review of the SCQF handbook, including setting up an internal consultation event for the SCQF consultant carrying out the review.
- ◆ Project to extend credit rating to other awarding bodies, including running workshops, advising and providing feedback to participants, responding to consultation.
- ◆ SCQF Recognition of Prior Learning (RPL) Network, including reviewing the RPL toolkit.
- ◆ Work on referencing the SCQF to the Credit and Qualifications Framework for Wales (CQFW), including responding to the draft report.
- ◆ Quarterly SCQF update.
- ◆ International SCQF Conference.

In addition SQA also:

- ◆ Worked in partnership with the Qualifications and Curriculum Authority (QCA) to examine further articulation and alignment with the Qualifications and Credit Framework (QCF) for England.
- ◆ Developed an interactive SQA/SCQF ready reckoner.
- ◆ Delivered presentations on the SCQF to external stakeholders, including foreign ministries, UCAS, and post-graduate students training to be Careers Advisors.

The EQF reference is in final stages of completion, and the EQF handbook is in final stages of review. The extension to credit rating is progressing with SQA support. The alignment and articulation to QCF and to CQFW will be revisited after the EQF referencing work is completed. The interactive reckoner is now published on the SQA website.

Future activity will include looking at how SQA can publicise the reference of SQA qualification levels to the EQF levels and provide QA to extending credit rating facility. We will also revisit the alignment and articulation to QCF and other frameworks in the UK. Work on the RPL toolkit will be completed.

## **Higher National Conference**

The HN Conference, Prepared for the Future, was held in Glasgow in November. The 120 delegates who attended represented a wide range of stakeholders, including colleges, sector skills councils, higher education institutions, the Scottish Government, Scotland's Colleges, HMle, and the Scottish Funding Council.

The conference marked the successful end of the HN Modernisation Project, which started in 2003. Key speakers from Glasgow Caledonian University, the Scottish Funding Council, the Scottish Government, and SQA spoke about the success of HN qualifications and paid tribute to the partnership approach that had characterised the HN Modernisation Project. All were keen to stress that this was the way forward for working post-modernisation. The delegates also had the opportunity to hear that this strong partnership had been recognised in Scotland and the UK through the National Training Award received for partnership working by SQA, Scotland's Colleges, SFEU and COLEG.

There were also 22 students who took part in the conference through dynamic exhibits, demonstrations and performances in the areas of Science, Music, Hair and Beauty, Jewellery, and Media.

## **Accreditation**

### **National Occupational Standards (NOS)**

2008 saw a change to the funding model for the NOS programme. This was driven by the agreement between the four government administrations across the UK to move to a grant-in-aid model. We worked very closely with the UK Commission for Employment and Skills (UKCES), as well as with the qualifications regulators from England, Wales and Northern Ireland, to ensure that the necessary processes were in place for the move to grant-in-aid funding. We also worked closely with Scottish Government colleagues to ensure that their requirements were met by the new model.

Following the changeover, Ofqual, one of the original partners, decided to withdraw from the NOS approvals panel. Discussions were held with Scottish Government and UKCES to re-map the process of approving SVQ structures and move this into SQA.

The new process for approving SVQ structures goes live from 1 April 2009. This process will be reviewed in six months to ensure that it is meeting our needs and those of the SSCs.

## **The Scottish Standard**

Maintaining qualifications and assessment standards is at the heart of qualification development in SQA, and central to our awarding and regulatory roles.

Some of the processes supporting the way we maintain standards are fairly technical and complex. The Scottish Standard (a set of web pages at <http://www.sqa.org.uk/sqa/26783.html>) addresses this issue by outlining, in plain English, what we mean by standards, why and how we maintain them, and who is involved. It is linked to SQA's Guide to Assessment, which provides support and guidance for all involved in assessing SQA qualifications, including case studies of good practice.

The Guide to Assessment was published as a web document in June 2008. The new Scottish Standard went live in November 2008. In the period from November to March over 9,000 hits were recorded on the website.

Although SQA developed the Scottish Standard, there are links in the web pages to other organisations, such as Learning and Teaching Scotland, the Education Institute of Scotland, and HMIE, all of whom have a keen interest in how we maintain qualification and assessment standards.

Together with other online standards and SQA web resources, such as the Understanding Standards website and SQA Academy, the Scottish Standard will help users understand how we maintain standards individually and in partnership. They will also provide opportunities for users to mark assessment material online and engage in CPD opportunities relating to standards.

An appendix to the Guide to Assessment, which gives examples of different assessment approaches within existing SQA qualifications, is in development and will be added in June 2009.

## **Universities and Colleges Admissions Service (UCAS) Tariffs**

A review of UCAS scores for Highers and Advanced Highers had been agreed and a submission made to UCAS to tariff-rate the new ungraded Highers and National Certificates (NCs) at SCQF level 6. SQA participated in the trialling of the new Tariff rating methodology. This has been undertaken to ensure that Scottish qualifications used for entry to higher education (HE) are given the recognition and tariff value they deserve.

SQA hosted and participated in the Expert Group meetings to review Highers and Advanced Highers and to consider inclusion of ungraded Highers and NCs. In this period SQA also put in a submission to UCAS

to have the Interdisciplinary Project (IP) from the new Scottish Baccalaureates tariff-rated.

SQA and UCAS continue to work in close partnership hosting annual joint meetings (this year's was held in SQA in November 2008), maintaining and updating the Memorandum of Understanding and discussing results transfer. In addition, SQA continues to present on its qualifications at UCAS events throughout the UK, such as the Annual UCAS Admissions Conference in April each year and CPD events for HE staff each June. We are also represented on UCAS forums such as the Scottish Practitioners' Group, and the Scottish Standing Group. SQA will play a key role in the newly formed Scottish Curriculum Development Group. This group will include pre-HE staff from schools and colleges, representatives of SCQF, Scottish Government, Universities Scotland, the Association of Scottish Colleges (ASC) and other appropriate bodies, as well as HE admissions practitioners with a strong interest in matters of curriculum and progression.

The review of Highers and Advanced Highers (AHs) resulted in new increased Tariff scores from entry 2010 for Highers and AHs at grades A – C. (see table below with current scores in brackets). It also resulted in a tariff score for PC Passport Advanced and for the ungraded Highers of 45 points. Work continues on the National Certificates.

Tariff Scores	Highers	Advanced Highers
A	80 (72)	130 (120)
B	65 (60)	110 (100)
C	50 (48)	90 (80)
D	36 (42)	72(72)

The Scottish Baccalaureates IP will be tariff-rated at the end of March 2009 and should be agreed at the UCAS Board in June 09. Further meetings are scheduled to tariff-rate National Certificates at SCQF level 6. SQA continues to work in close partnership with UCAS. Feedback from presentations at the various UCAS conferences are collated and input reviewed for future conferences.

## Scottish Learning Festival

In September, SQA exhibited at the Scottish Learning Festival in partnership with Learning and Teaching Scotland, the Scottish Government and HMIE as part of the Scottish Education Village. SQA also presented several seminar sessions at the Festival, including:

- ◆ Using assessment of learning to support the assessment for learning
- ◆ Four Schools and a College: Curriculum for Excellence Action Research Projects

- ◆ Adult Literacies: Understanding Standards of the new PDA ITALL
- ◆ Skills for Work Courses: Experiential Approaches in Learning
- ◆ Skills for Work Courses: A new approach to Quality Assurance

## **Assessment and qualifications master classes and research seminars**

This programme, which was launched in August 2007, is designed to challenge existing thinking and practice on assessment and qualifications. Although it is primarily designed for SQA staff, colleagues from schools, colleges, universities, Scottish Government, LTS and HMle are invited to attend.

The 2008–09 programme saw a focused approach to practice-based Scottish and International case studies. This included literacy and numeracy qualifications in Scotland and Canada; More Choices, More Chances; a comparison of Higher National qualifications and Foundation Degrees; and curriculum and assessment in Sweden. Contributors included Professor Lyn Tett, University of Edinburgh, Professor John Gardner, Queen's University Belfast, Emeritus Professor Jim Gallacher, Glasgow Caledonian University, and Professor Gudrun Erickson, Gothenburg University. SQA also contributed a paper and a workshop at the 2nd International Education Symposium in Beijing and the Tapestry Conference in Glasgow.

The programme is highly successful in achieving its aims. SQA staff and colleagues from partner organisations have had a unique opportunity to engage with the leading thinkers on qualifications and assessment. In doing so they have had a chance to think about how qualifications and assessment might develop. Current challenges for qualifications and assessment have been comprehensively covered, and feedback through online evaluation is uniformly very positive.

Future events will include participant reports from our Curriculum for Excellence action research projects, outcomes from research into the use of formative assessment in high stakes qualifications in Highland Council schools, and a Curriculum for Excellence master class led by Professor Lindsay Paterson, University of Edinburgh.

## **Art Exhibitions**

During the past year, three art exhibitions were held to promote and showcase works from the National Course examinations in Art and Design. Scottish Parliament, People's Palace and National Gallery of Scotland hosted the exhibitions.

## 5.3 People

### Restructure

During 2008–09 SQA completed an organisational restructure to support market, customer and product focused ways of working. We also established a team of 'Champions' whose role is to:

- ◆ Raise awareness of continuous improvement and the benefits it can bring across the organisation.
- ◆ Support process management and review at a local level to ensure we continue to evolve and improve our customer focus, quality and efficiency.

### SQA's working environment

#### SQA's Dalkeith Premises

Since 2004, SQA has recognised that its premises at Ironmills Road in Dalkeith were not fit for purpose and in serious need of investment. Scottish Government Ministers granted SQA approval to proceed with a business case for relocation in May 2008, and property agents were appointed to search for options. A shortlist was presented to Ministers in November 2008. Since then, however, the economic climate has changed significantly, which means that options that seemed viable are no longer so. The Scottish Government has requested that SQA investigate in detail the costs of refurbishment work to enable the continued use of the Dalkeith premises.

#### Environmental targets

SQA's focus through the year has been on developing large-scale initiatives that will have a long-term benefit on its CO<sub>2</sub> output. SQA also wishes to mirror and achieve some targets that have been set by Scottish Government. These will be foremost in our planning for many years ahead.

The data that is currently collected on electricity usage, gas, waste etc was reviewed to take in taxi mileage, air mileage and rail mileage, to give a figure for CO<sub>2</sub> output.

In response to a travel survey undertaken in the spring of 2008, SQA designed a cycle to work scheme, to be rolled out in 2009. This will provide financial support to SQA employees and encourage them to take a healthier approach to travelling to work. SQA is also applying for Cycle Friendly Employer status, which is a scheme run by Cycling Scotland with the Scottish Centre for Healthy Working Lives.

The travel survey provides a benchmark for how SQA employees travel to work. This will allow us to measure the success of our Travel Plan, which we plan to publish in 2009–10.

The on-going initiative on waste reduction, and the full implementation of the recycling initiatives, has shown a marked increase in the proportion of waste that is recycled.

SQA has continually reinforced its environmental messages on using video conferencing instead of travel, reducing power consumption, and recycling.

SQA will be working with the Carbon Trust during the coming year to develop a Carbon Management Plan. This will be the over-arching environmental plan for the organisation, and will look at many areas to see how SQA can reduce its carbon footprint.

## **Internal Communication Strategy**

SQA has improved its arrangements for internal communication. These include quarterly all-staff briefing sessions, informal meetings with the Chief Executive, and bi-annual lunches for new members of staff. A series of staff information programmes detailing work and social issues are scheduled. The staff e-newsletter, Inform, is continuing and will be further developed.

## **Organisational and Individual Development**

### **Staff opinion survey**

Each year, we carry out a staff opinion survey to provide an opportunity for all members of staff to express their views on working for SQA. We are committed to continuously improving both the quality of the service we provide to the public and the quality of working life for staff. Consultation with our staff is crucial in helping us meet this commitment.

The 2008–09 Staff Opinion Survey was our sixth survey, and included new questions about our Continuous Improvement activities. An overall participation rate of 78% saw 533 members of staff participating. Results show an improvement in overall satisfaction, and highlights include the facts that 96% of staff are committed to their work, and 80% are proud to be involved with SQA. There are a number of areas where we will work with staff to see future improvements in satisfaction.

## **Continuous Improvement activity**

### **Effective leadership and direction**

Throughout the year, SQA has continued to strengthen its relationship with the Partnership Group, which is a body representing the Trade Unions that SQA recognises. This has been particularly valuable during the Continuous Improvement programme, where strong collaboration with the Partnership Group resulted in successful implementation.

### **Equal opportunities**

The equalities work of SQA has been restructured to better promote mainstreaming across the business. In relation to staff, a survey has been conducted and statistics on applicants for employment also captured. This has provided information on our profile in respect of the six diversity strands and will further inform our equalities work. An annual equal pay audit has been carried out which provided no indication that there are equal pay issues in the organisation.

In relation to candidates, extensive ongoing work is being carried out on arrangements necessary to make SQA qualifications as accessible as possible for disabled candidates.

### **Manage, recruit, retain and reward**

SQA is coming to the end of its agreed three year pay deal for 2007–10 and is currently working, within the parameters of Scottish Government policy, to implement a new pay deal for 2010 onwards.

A number of initiatives are in place for staff, including:

- ◆ Make A Change (MAC) Group, which promotes health and lifestyle matters to staff. Major campaigns have included a Men's Health Day, Summer Health Campaign, and Cancer Awareness Days.
- ◆ Promotion of work/life balance, supported by a comprehensive policy, which promotes and provides opportunities and activities, such as flexible working. Additionally, SQA operates salary-sacrifice schemes, with childcare vouchers now in their second year, and a cycle to work scheme due to be launched in June 2009.
- ◆ SQA Lifestyle, which presents staff with the option of using a discount service offering savings and money back on a range of high street shops and brands.
- ◆ Health Savings Account (HSA) offers staff the opportunity to join a scheme that provides money back on dental, optical and other health services for themselves and their family.



## **Performance Management**

It is imperative to SQA that its staff are trained, developed and motivated to achieve business objectives both now and for the future.

In 2008–09, SQA has undergone a significant period of change and re-structuring to position itself appropriately to meet future needs. This was achieved over the business year and, although it resulted in a number of roles being re-aligned, it did not result in any redundancies.

Since April 2008, the Performance Management Review (PMR) process has been modified. It has resulted in performance ratings being clearer for Managers to make greater differentiations between the levels of performance of team members. The PMR process has put emphasis not only on what has to be achieved, but also on how it is achieved, by measuring performance against SQA's Competence Model and Values.

## **Staff Absence**

During the period 2008–2009 sickness levels for staff have been consistently lower than the target level we set of 4.5%, with the average for the period being 1.95%.

## **Managing SQA's Appointees**

SQA's Continuous Improvement Programme identified a need to approach the management of Appointees more strategically, and ensure a consistent supply of appropriately trained Appointees. The activities undertaken as a result included:

- ◆ establishing the Appointee Services Team
- ◆ developing contract specifications and key performance measures
- ◆ implementing a new fee structure for Invigilators (with no adverse impact on appointment levels) and reviewing the new fee structure for all appointment types
- ◆ researching and designing an online resource for Appointees
- ◆ focused marketing programme and recruitment campaign
- ◆ developing a communications strategy to co-ordinate communications with appointees, including a bi-annual newsletter for Appointees (first edition April 2009)

In the first three months of these changes, a year-on-year financial saving was realised. Development of systems to support new processes and procedures and to seek further efficiencies will continue through to 2010–11.

## 5.4 Process

### MySQA

MySQA is SQA's online service for candidates. Building on previous pilots offering results online to candidates, the MySQA service was developed between September 2007 and April 2008 focusing on the user experience. This included carrying out usability testing with a group of candidates.

Phase 1 of MySQA opened on 1 May 2008, and was promoted to National Qualifications exam candidates, enabling them to check SQA held their address details correctly, and to register to receive their exam results by e-mail and/or text message (one of the services MySQA offers).

We promoted the MySQA service using:

- ◆ leaflets for candidates and centres
- ◆ posters
- ◆ a MySQA profile page on social networking sites
- ◆ a MySQA promotional website
- ◆ internet banner ads
- ◆ inflatable billboards in Glasgow, Edinburgh and at T in the Park
- ◆ viral marketing

The MySQA registration and login process is designed to be secure, user friendly, and candidate-led. By 25 July 2008, 25,420 candidates registered for the service, 20,937 of whom had activated their accounts. (Not all who registered were NQ candidates). On 5 August 2008, 13,574 text messages and 20,414 e-mails containing results were sent to candidates.

Phase 2 of MySQA opened on 27 October 2008 with additional functionality. The service is now relevant to anyone with a valid Scottish Candidate Number (SCN), doing any SQA qualification. As well as being able to see their personal details and register to receive their NQ results by e-mail and text message, users can now see their qualification information. This means they can track progress towards qualifications they are currently doing and have a permanent online record of their SQA qualifications (from 1995 onwards).

Between November 2008 and February 2009 we ran a promotional campaign for college students. This included leaflets and posters, a road show that visited 38 colleges, radio ads on Galaxy, a poster campaign in music and club venues across Scotland, and a website.

## **Ask Sam**

In November 2008 we launched an avatar-based MySQA FAQ service called Sam. Sam uses a text to speech system and when a user clicks on an FAQ Sam displays the answer on screen and speaks it (in a Scottish accent). Studies have shown that using avatar technology means that the user is more likely to engage with a product, and utilise the online help available. This also supports the accessibility agenda.

## **Diet 2009**

Once again in 2009 candidates who are sitting National Qualification exams will be able to register for MySQA and get their results sent to them by e-mail and/or text message. E-mails and text messages will be sent to candidates between 8am and 9am on Wednesday 5 August 2009.

## **Electronic Marks Capture (EMC) 2008**

The focus of the EMC 2008 project was on the quality assurance of marking and how it could be improved. The aim was to have an open and transparent system in place which ensures that all Markers were marking consistently to standard before starting to mark 'live' scripts.

A new Quality Assurance (QA) model was developed and implemented. It included increased levels of direct support and rich feedback for markers — a significant shift from the traditional end-loaded quality control processes that most Markers were familiar with.

The new model involved Practice Scripts. After this, markers had to complete a number of Qualification Scripts to standard before being allowed to mark 'live' scripts. Each Marker had a dedicated Team Leader who supported them throughout. The marking of 'live' scripts was monitored continuously so when concluded, no remedial actions were required.

Two forms of EMC were employed in 2008: Marking from Paper (MFP) and Marking from Image (MFI). Both forms involved the direct input of item-level marks, which significantly improved the information available, and which was well received and used during the Grade Boundary process.

The following table provides details of the number of papers, markers and scripts involved in each form of EMC.

	Papers	Markers	Scripts
MFI	7	170	26,726
MFP	8	305	34,238
Total	15	475	60,964

Full evaluations, which included extensive dialogue with all the Appointees involved (Principal Assessors, Team Leaders and Markers), were carried out, and the QA model was fully endorsed.

We also began the project to progress EMC 2009, the remit of which is two-fold:

- ◆ to further refine the QA model
- ◆ to ensure industrial-strength system performance and increased capacity

## **E-developments web**

SQA's web team has been implementing a number of improvements to the website, including:

- ◆ The search engine was improved to deliver improved results by incorporating all searchable materials — unit search documentation, SVQ Information Sheets and qualification past papers.
- ◆ Content review and improvements for main subject areas and hierarchy improvements delivered on service.
- ◆ Easy Edit was launched to allow delegated authorship, with over 130 SQA staff now able to update the website, helping to develop ownership of the site in the business.
- ◆ The myAlerts update service was launched, and Really Simple Syndication (RSS) news feeds and social book-marking links were added to the site.
- ◆ We improved the secure website, with a new centre-based login model introduced.
- ◆ Online versions of key documents were published, eg Annual Review, HN & PDA Annual Report, and Handbook for Appointees.

In addition, a web marketing review was undertaken in late 2008 to look at technologies and approaches that SQA should be adopting to take our web service forward. This included a web customer satisfaction survey, which attracted 500 responses.

A web marketing action plan was developed as a result of this work with short, medium and long term actions. The short term actions identified have now been delivered including a review of the storage, management and control of SQA's data, and further content and personalisation developments.

Site satisfaction for all users averaged at 7 out of 10. The highest score was for quality of information at 8 out of 10.

## **Script management – process improvement and savings**

Each year we deal with about 173,000 script packets and 1.5 million scripts. A major piece of work was undertaken to challenge the business processes underlying script handling and marks processing, and to identify improvement to the use of resources.

A project team, established in early 2008, undertook training and investigative work, supported by external consultants. The team explored alternative options and recommended a single process-flow approach to the handling of scripts from centres and from markers. This approach was trialled in March and April. At this same time, work in the area of marks processing identified a number of quality checks which did not add value and, potentially, could be removed.

Work to identify potential improvements continued during the 2008 Diet. The processes used to scan the return of marked script packets and input marks directly into our system, through to the final tracking of packets was re-engineered on paper into a single flow process. Analysis showed that the new approach did not compromise the quality of the data, and had the potential to eliminate a range of labour- and cost-intensive steps and checks.

The changes introduced in 2008 achieved a saving in temporary staffing costs. Further savings are to be implemented in 2009. These improvements will be fully monitored, reviewed and evaluated.

## **Improving the way SQA works**

### **Financial, HR and payroll software**

In 2006–07 we implemented the first phase of SAP, a software infrastructure that covers SQA's core financial, HR and payroll processes. During 2007–08 we set up a first line support team and changed our support partners to ensure the system was well maintained and operating effectively. In 2008–09 we have developed additional functionality including:

- ◆ Purchase order processing, which will have benefits including increased procurement compliance and reducing the double-keying of information.
- ◆ Business intelligence reporting, the potential benefits of which include real-time reporting being available and increased time spent on value-added activities instead of report-preparation.
- ◆ Employee and manager self-service, which will introduce benefits that include reducing paper-use and manual keying, and staff having more control over their own details and expense and overtime claims.

SAP has also supported a number of key business activities, including changes to the pension scheme and supporting the organisational restructuring.

A review of the implementation of the core elements of SAP was carried out by PricewaterhouseCoopers during 2008–09. The effects of implementation will continue to be reviewed to ensure that the anticipated benefits are being realised.

### **Personal data-related incidents**

As required by ISO 27001:2005 SQA has a reporting structure for Information Security Incidents. During 2008–09 there were no reported personal data-related incidents.

## 6 Performance

This section shows SQA's 'Balanced Scorecard' for 2008–09. This is the tool SQA uses to measure its performance against the indicators and targets that have been agreed with the Scottish Government.

		Outcomes	Ref	Measures:	FULL YEAR		Comment	Met or Surpass		
					Actual	Target				
Portfolio	a	achieve milestones for assessment, certification & development of qualifications & services	1	achieve diet performance measures & certification targets	100.0%	100.0%	Complete at Q2.	M		
			2	achieve development targets for qualifications & services	100.0%	100.0%	Development targets achieved.	M		
	b	effective accreditation service	3	deliver the accreditation service & development activities	82.6%	79.6%	Targets achieved.	S		
					98.1%	95.2%	Achieved target - Excludes delays caused by incomplete data from awarding body.	S		
	c	achieve targets for qualifications uptake & commercial activity	4	increase uptake in target markets by 3% v LY	94.1%	103.0%	SVQ entries 10% year on year decrease and 22% decrease YTD, HNC/HND 35% increase in Q4 and 10% increase YTD, Customised Awards 85% increase in Q4 and broadly comparable to last year, SPA entries 50% decrease YTD	S		
			5	achieve commercial targets	108.2%	100.0%	Both income and surplus have exceeded target.	S		
	d	improved teaching staff understanding of standards	6	increase the level of cpd uptake by 5% v LY	628.8%	105.0%	Figures for SQA academy participation for Q4 not comparable due to change in system in place since March. YTD there was a 52% decrease in PDWY participation.	S		
			7	maintain delegate satisfaction with CPD at 2007 levels	98.3%	97.0%	Figures shown YTD for 5 month period to September 08, target achieved.	S		
Partnership	e	increased satisfaction with our services	8	maintain customer satisfaction with SQA	92.1%	90.8%	Perception of SQA credibility has remained high at 92.1% over the year.	S		
			9	increase stakeholder satisfaction with SQA	82.1%	64.1%	Perception of SQA credibility across all stakeholder groups has increased by 4% on the previous year to 82.1%	S		
	f	improved contribution to policy developments	10	have effective relationships with identified key partners		YTS	A policy context, to facilitate future stakeholder engagement, is in development.	TBC		
			11	make effective contributions to policy development in identified key areas		YTS	YTD: SQA is engaged in a number of activities including representation on SG's assessment 3-18 governance group and project team, leading on providing advice to SG and the CfE Board the next generation of NQ's, leading on development and implementation of the Scottish Baccalaureates in Science and Languages, measurement of effective contributions yet to be determined.	TBC		
People	g	improved management of resources & performance	12	achieve target employee attendance levels	98.1%	95.5%	Continues to achieve higher than target attendance levels.	S		
			13	adhere to core funded headcount levels	99.7%	100.0%	Continues to adhere very closely to core funded headcount levels.	M		
			14	respond to 100% of agreed development requests	96.4%	100.0%	Of the 1179 training requests only 16 training requests outstanding. YTD overall requests achieved was 96%.	M		
			15	manage our appointees effectively	93.0%	100.0%	Appointee milestones on track with the exception of release requests due to a change in the timing of this task. Start date amended to 22 April and scheduled to complete within the 2 week turnaround.	M		
	h	Provide effective leadership and direction	16	maintain the level of employees 'proud to work for SQA'	82.0%	80.0%	Survey results show a 3% increase against the last survey in 2007	S		
			17	provide effective leadership and direction	98.0%	100.0%	The overall score for leadership and direction in SQA was 97.5%. Overall the survey outcomes were positive.	S		
Process	i	more efficient processes & infrastructure	18	achieve environmental targets	24.6%	100.0%	Energy consumption has increased by 1% and consumption of paper has increased by 4%. Hits on environmental portal were 82% higher than in same period last year. Travel has increased by 9% rather than achieving 5% target reduction.	M		
			19	achieve continuous improvement targets	98.0%	100.0%	Process review behind schedule.	M		
			20	achieve financial targets	102.6%	100.0%	Results are affected by the longer than usual time to prepare P12 reports but targets have been exceeded over the full year.	S		
			21	achieve agreed efficiency savings	104.6%	100.0%	Exceeding target efficiency savings, postage highest efficiency savings.	S		
Note - We aim to <b>surpass</b> certain targets where higher than target rating is desirable - eg 'increase uptake in target markets' - marked <b>S</b> and have one set of tolerances. Other targets can only be <b>met</b> not exceeded - e.g. achieve a set number of milestones - these are marked <b>M</b> and have a different set of tolerances. <b>YTS</b> = activity that has yet to start or is not measured until a future date					Targets we aim to SURPASS <90% = red >90% but <95% = amber >95% = green			Targets we aim to MEET <90% or >110% = red >90% but <95% or >105% but <110% = amber >95% or <105% = green		

## 7 The future

SQA's Corporate Plan 2009–12 sets SQA's strategic direction for the next three years, covering both SQA's Accreditation and Awarding functions. It has been developed using a different approach to previous years, ensuring that the organisation's strategic goals support the Scottish Government's National Outcomes, and that management of opportunities and risks is fully embedded in SQA's corporate planning process. The 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 2008–09.

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

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

For 2009–12, SQA has eight high-level objectives:

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



# 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's contract as agreed with the Scottish Government is a separate contract, with a notice period of 6 months. Other members of the Executive Team are employed on standard SQA contracts of employment, with a notice period of 3 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 recruit, retain and motivate staff.

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

## 2 Pension Provision

Pension benefits are provided through the Local Government Pension Scheme (LGPS) and Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). Both schemes include a tax-free cash lump sum and a pension, both based on period of membership and final pay near to retirement. Employee contributions are set at 6% for LGPS and 6.4% for Scottish Teachers' Superannuation Scheme of pensionable earnings. For 2008–09 employer's contributions of £2,408,000 were payable in total. These contributions were based on 16.8% for LGPS pensionable pay and 13.5% for SPPA pensionable pay.

Further details about the LGPS and SPPA arrangements can be found on their website [www.lgps.org.uk](http://www.lgps.org.uk) and [www.sppa.gov.uk](http://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.

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

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

### 4 Remuneration Committee

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

### 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	
		2009 £'000	2008 £'000	2009 £	2008 £
<b>Chairman</b>					
John McCormick (Period of service concluded 31 January 2009)	64	10 – 15	10 – 15	-	-
Graham Houston (Appointed 1 February 2009)	60	0 – 5	-	-	-
<b>Chief Executive</b>					
Dr Janet Brown	57	120 – 125	115 - 120	6,700 <sup>2</sup>	6,400 <sup>2</sup>
<b>Non-Executive Board Members</b>					
Anthony Cassidy	64	0 – 5	0 – 5	900 <sup>3</sup>	-
Jim Edgar**	48	0 – 5	0 – 5	-	-
Judith Gillespie	62	0 – 5	0 – 5	100 <sup>3</sup>	-
Prof Alex MacLennan	56	0 – 5	0 – 5	200 <sup>3</sup>	-
Linda McKay MBE*	57	0 – 5	0 – 5	100 <sup>3</sup>	-
John Mitchell	64	0 – 5	0 – 5	400 <sup>3</sup>	-

Margaret Nicol	60	0 – 5	0 – 5	-	-
Gordon Rodgers	52	0 – 5	0 – 5	-	-
Prof John Simmons	61	0 – 5	0 – 5	300 <sup>3</sup>	-
Susan Walsh**	49	0 – 5	0 – 5	-	-

#### **Directors**

Maidie Cahill	52	75 – 80	75 – 80	-	-
Rob Gibson***	44	40 – 45	-	-	-
Karen McCallum	46	85 – 90	65 – 70	-	100 <sup>1</sup>
John McDonald	51	85 – 90	65 – 70	-	200 <sup>1</sup>
Dr Gill Stewart***	47	70 – 75	-	-	-
Ron Sylvester	58	80 – 85	80 – 85	-	-
John Young****	61	50 – 55	75 – 80	-	200 <sup>1</sup>

\*Linda McKay left the Board on 30 April 2008

\*\*Susan Walsh and Jim Edgar joined the Board on 1 September 2008

\*\*\*Dr Gill Stewart and Rob Gibson commenced their Director's posts on 29 September 2008. (Dr Gill Stewart was in post as a Deputy Director for the period April–September.)

\*\*\*\*John Young left the organisation on 31 October 2008

Benefits in kind are: 1 Profit element of mileage  
2 Company car  
3 Travel and subsistence

In prior years only the Chairman of the Board was entitled to receive remuneration. However, this was amended by the Scottish Qualifications Authority Act 2002 enabling all Board members to receive remuneration. The remuneration paid during the financial year is disclosed above.

SQA has had in place a dispensation with HMRC regarding home to work travel expenses for Non Executive Board Members. This dispensation has allowed SQA to pay expenses for home to work travel to Non Executive Board Members without the payment being subject to tax or National Insurance. HMRC have, however, withdrawn this dispensation with effect from April 2008 and the payment of these expenses therefore becomes a benefit in kind. The expenses reimbursed during the financial year are disclosed as benefits in kind above.

Board payroll, travelling and subsistence costs are included 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 2009	Cash equivalent transfer value at 31 March 2008	Cash equivalent transfer value at 31 March 2009	Real increase in cash equivalent transfer value
		£	£	£	£	£
<b>Chief Executive</b>						
Dr Janet Brown	57	1,514	3,090	240,953	339,355	99,365
<b>Directors</b>						
Maidie Cahill	52	1,087	5,846	60,373	228,113	167,981
Rob Gibson	44	464	464	-	5,686	5,686
Karen McCallum	46	1,157	2,612	15,775	36,990	21,279
John McDonald	51	1,524	7,182	214,505	336,202	122,555
Dr Gill Stewart	47	438	438	-	269,229	269,229

The Chief Executive and Directors in the table above are ordinary members of the Strathclyde Local Government Superannuation Scheme. John Young was an ordinary member of the Scottish Government's Teachers' Superannuation Scheme; however, figures have not been made available by the Scottish Public Pensions Agency. 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  
£50,000 - £60,000

Number of staff  
14

Dr Janet Brown  
Accountable Officer and Chief Executive  
Scottish Qualifications Authority

## **9 Statement on internal control 2008–09**

### **Scope of responsibility**

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

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

Under the direction of the Director for Finance & Corporate Governance, the Finance & Corporate Planning and Corporate Governance teams have been responsible for ensuring that appropriate internal controls have been applied. These controls include:

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

### **Best Value**

In line with the requirements set out in the 'Best Value Guidance to Accountable Officers' and 'Best Value Secondary Guidance to Accountable Officers', the SQA is committed to ensuring that arrangements are in place which will lead to a continuous improvement in the SQA's performance and an economic, efficient, effective use of the organisation's resources.

The SQA's outsourced internal auditors performed an independent review of the organisation's best value arrangements during 2008–09, and concluded that the SQA continues to demonstrate a strong commitment to the nine principles of Best Value set out in the above guidance.

## **Governance and management structures**

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

### **Board of Management**

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

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

### **Audit and Performance Committee**

The Audit & 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.

### **Internal Audit**

In accordance with our current contractual arrangements, the SQA engages the services of independent internal auditors, PricewaterhouseCoopers, operating to the standards defined in the HM Treasury Government Internal Audit Standards (GIAS). The internal auditors continue to provide a clear and objective view of the effectiveness and efficiency of our business processes and to monitor

progress with the implementation of agreed actions to address areas for improvement.

The internal audit plan for 2008–09 was agreed by our Executive Management Team and endorsed by our Audit and Performance Committee. Although outsourced, this activity is internally managed by the organisation's Finance & Corporate Planning team. The team works in partnership with the internal auditors to monitor and report on audit activity, including tracking progress in addressing internal and external audit recommendations. A draft Joint Internal Audit Plan for 2009–12 has been agreed by our Executive Management Team and endorsed by our Audit and Performance Committee. The plan is a collaboration between PricewaterhouseCoopers and the organisation's Finance & Corporate Planning team.

The SQA operates an additional in-house audit programme, with volunteers trained to International Registration of Certificated Auditors (IRCA) standards released from their substantive roles within the SQA to complete audits of key processes including those supporting the annual Diet of Certification. A summary of the findings of all out-sourced and in-house audit work is reviewed by Executive Management and the SQA Audit & Performance Committee.

## **Executive Management**

A re-design of the SQA Executive Management structure was announced in 2007–08 and implemented during 2008–09. The revised structure more appropriately supports achievement of the organisation's objectives, creating six Directorates:

- ◆ Qualifications Development
- ◆ Business Development
- ◆ Business Systems
- ◆ Operations
- ◆ Human Resources
- ◆ Finance & Corporate Governance

Under the new structure, the SQA's Accreditation function reports directly to the Chief Executive. A programme board and Change Management Team were established to oversee the transition to this revised structure, and to monitor a number of on-going improvement projects. The Programme Board will continue to oversee and monitor major programmes within the organisation.

## **Planning and performance framework**

The SQA Corporate Plan is developed by the SQA Board and Executive Management, in line with Ministerial guidance. Following publication of the Scottish Government's economic strategy in November 2007, the

SQA Corporate Plan 2009–12 was developed to align with the 15 National Outcomes identified in the National Performance Framework. The Corporate Plan includes high-level measures to assist the Board, management and stakeholders in monitoring the SQA's performance in relation to its objectives.

The SQA's business areas have prepared detailed operational plans, including measurable objectives, staffing and financial plans, which underpin the published Corporate Plan.

Progress against objectives within the Corporate Plan 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. At operational level, reports of performance against operational plans and budgets are reviewed monthly by the Management Team. Copies of the Monthly Management Review pack are sent to our sponsor department.

## **Compliance with policies, procedures, laws and regulations**

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

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

SQA has a dedicated Procurement team which advises SQA on procurement contract arrangements and provides guidance in terms of compliance with emerging changes to procurement rules from the Scottish Government. Procurement is moving to a computerised system to improve the way in which procurement activity is completed and reported.

## **Safeguards against losses**

The SQA has a system of financial controls in place to promote the effective use of financial resources and to safeguard against loss. This includes a robust budgeting and forecasting process which is closely aligned to the corporate planning process, and supported by monthly



management reviews of actual results. Regular reports on financial outturn are also provided to the Sponsor Department.

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

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

## **Integrity and reliability of information and data**

The SQA has recently agreed the roles set out by the Scottish Government Data Handling Team, which aims to formalise the approach to risk management of corporate data. We have appointed a Senior Information Risk Owner (SIRO) as well as Information Asset Owners (IAOs), all at Executive Management Team level, to reflect the importance placed on our information. With this new focus, we are developing robust new processes to ensure that our data, information and knowledge are appropriately managed throughout the organisation. Part of this development is the setting up of a dedicated team of information specialists to manage the process.

## **The purpose of the system of internal control**

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

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

The process within the organisation accords with guidance from the Scottish Ministers provided by the Scottish Public Finance Manual and has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

## **Risk and control framework**

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

The SQA introduced a risk management framework in August 2005 and continues to review and improve its approach. Risks are identified, reported on and monitored according to this framework. The SQA Board of Management reviews its register of key strategic risks and mitigating action each quarter. 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.

As part of its wider risk management framework, the SQA has continued to develop its arrangements for managing Business Continuity. Consolidated tests were completed in March and November 2008, with actions identified and tracked by the SQA Business Continuity Steering Group. Work has been undertaken with partner and stakeholder organisations to identify shared risks and solutions, for example in relation to pandemic flu and potential for fuel shortages

Building on the risk management framework outlined above, revisions to the SQA's approach to risk management were developed and tested in 2008–09 for full implementation in 2009–10.

Development of the SQA Corporate Plan objectives for 2009–12 was driven by the Board and Executive Management's consideration of opportunities and risks associated with strategic goals linked to the 15 National Outcomes. A workshop to identify and discuss strategic opportunities and risks took place in May 2008 with members of the Board. The SQA Management Team subsequently identified the most appropriate actions to address these opportunities and risks at a residential meeting in September. These actions were then developed and presented as the SQA Corporate Plan objectives for 2009–12.

The SQA business areas considered risks to achievement of their objectives as part of the preparation of their operational plans underpinning achievement of these Corporate Plan objectives. A simplified template was introduced to further embed consistent application of the risk management framework across business areas.

More generally, the SQA is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and best practice in this area. In particular, in the period covering the year to 31 March and up to the signing of the accounts the SQA has:

### **Governance and management structures**

- ◆ Reviewed the SQA committee structure, informed by recommendations from an internal audit review of Corporate Governance
- ◆ Revised the SQA operational and management structure to more closely align the organisation to its key processes
- ◆ Undertaken a comprehensive review of operational processes
- ◆ Introduced a Programme Board to agree the prioritisation of future change, align resources to support such change and monitor the implementation of change programmes
- ◆ Introduced a more consistent approach to reporting and tracking audit findings across the various strands of internal and external audit, integrated audit tracking reports have been introduced to the Audit and Performance Committee

### **Planning and performance framework**

- ◆ Aligned its Corporate Plan 2009–12 to Scottish Government National Outcomes identified within the National Performance Framework
- ◆ More closely linked financial information with activity through integration of corporate and financial planning responsibilities within a combined Finance & Corporate Planning business area, including development of revised templates for operational and budget planning at business area level

### **Risk management framework**

- ◆ Introduced the consideration of strategic opportunities as well as risks at the heart of corporate planning discussions with the SQA Board and Executive Management
- ◆ Continued to embed a consistent approach to consideration of risk at operational level through introduction of a simplified template
- ◆ Identified actions to increase support and training for the Management Team and wider staff from the November 2008 consolidated test of Business Continuity for implementation in 2009–10

### **Compliance with applicable policies, procedures, laws and regulations**

- ◆ Strengthened internal controls surrounding legislation and procurement rules
- ◆ Widened the structure for legal services to include Equalities legislation management and Freedom of Information management

- ◆ Strengthened the structure, and allocated additional resource, for procurement to provide more support and guidance to the organisation
- ◆ Simplified the management of internal administration, provided greater clarity around rules and responsibilities and introduced more effective communication processes for procurement
- ◆ Revised reporting lines so that the SQA Lawyer and SQA Procurement teams now report directly to the Director of Finance & Corporate Governance

#### **Safeguards against losses**

- ◆ Continued to strengthen the financial control environment by extending use of automatic workflow approvals of expenditure
- ◆ Reviewed and updated the Scheme of Delegation
- ◆ Implemented an anti-fraud policy and fraud response plan
- ◆ Enhanced reporting on fixed assets

#### **Mechanisms to ensure the integrity and reliability of information and data**

- ◆ Continued to review and update IT controls, tools and processes to ensure continued protection against all threats.
- ◆ Initiated new work to introduce new services which will be delivered with new controls
- ◆ Maintained focus on this area of great importance at the heart of our risk management strategy

## **Review of effectiveness**

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

- ◆ The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework.
- ◆ The work of the internal auditors, who submit to the SQA's Audit and Performance Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement. Specifically during 2008–09 I have considered reviews of Best Value, Income and Accounts Receivable, Payroll and Expenses, Corporate Governance, Business Continuity, HR and Finance System Implementation, IT General Controls and Procurement.
- ◆ Comments made by the external auditors in their management letters and other reports.

I have been advised in my review of the effectiveness of the system of internal control by the Board and the Audit & Performance Committee. Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Dr Janet Brown  
Accountable Officer and Chief Executive  
Scottish Qualifications Authority

# 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 2009 under the Education (Scotland) Act 1996. These comprise the Income and Expenditure Account and Statement of 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, SQA's Objectives For 2008-09, Management Commentary section on People, Performance and The Future, 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 of qualifications and services, 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 2009 and of the excess of expenditure over income, 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; and
- ◆ information which comprises the sections, Who We Are And What We Do, Our Operating Environment, How We Operate, SQA's Objectives For 2008-09, Management Commentary section on People, Performance and The Future, included in the Annual Report is consistent with the financial statements.

### **Regularity**

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

Signature

  
Audit Scotland  
Floor 7, Plaza Tower  
East Kilbride  
G74 1LW

Date

Redacted - section 38(1)(b)



# 11 Accounts 2008–09

## Group Income and expenditure account for the year to 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Income</b>			
Entry charges	3	37,429	36,882
Less share of joint venture turnover	3	(1,449)	(1,069)
EU funding	4	330	722
Other income	5	8,684	6,729
		<hr/>	<hr/>
		44,994	43,264
<b>Expenditure</b>			
Staff costs	6(1)	21,605	22,936
Depreciation and other amounts written off tangible and intangible fixed assets	11,12	2,809	2,357
Other operating expenditure	7	34,897	34,817
		<hr/>	<hr/>
		59,311	60,110
<b>Excess of expenditure over income before interest</b>		<hr/>	<hr/>
		(14,317)	(16,846)
Share of operating gain of joint venture before interest	13	1,173	711
		<hr/>	<hr/>
		(13,144)	(16,135)
Investment income	9	272	345
Share of investment income of joint venture	13	45	28
Interest payable	10	(541)	(552)
		<hr/>	<hr/>
<b>Excess of expenditure over income after interest</b>		(13,368)	(16,314)
Share of tax from joint venture	13	(344)	(226)
		<hr/>	<hr/>
<b>Excess of expenditure over income after tax</b>		(13,712)	(16,540)
Add back notional cost of capital	1(12)	934	1,285
		<hr/>	<hr/>
<b>Excess of expenditure over income for the year</b>		12,778	(15,255)

The operations of the joint venture are discontinued operations. All other operations are continuing.

The notes on pages 64 to 84 form part of these accounts.

## Group Statement of recognised gains and losses for the year to 31 March 2009

	Note	2009 £'000	2008 £'000
Unrealised surplus on revaluation of fixed assets	19	127	1,458
Unrealised (deficit)/surplus on investments for unfunded pensions	19	(6)	33
Actuarial (losses)/gains	21	(6,527)	6,872
<b>Recognised (losses)/gains relating to the year</b>		<hr/> (6,406)	<hr/> 8,363
Prior year adjustment		-	(255)
<b>Recognised (losses)/gains since last annual financial accounts</b>		<hr/> (6,406)	<hr/> 8,108

The notes on pages 64 to 84 form part of these accounts.

## Group Balance sheet at 31 March 2009

	Notes	31 March 2009 £'000	31 March 2008 £'000
<b>Fixed assets</b>			
Intangible assets	11	333	621
Tangible assets	12	8,957	10,336
Investments in joint venture			
Share of gross assets	13	1,481	1,087
Share of gross liabilities	13	(407)	(374)
Other investments	13	336	344
		<u>10,700</u>	<u>12,014</u>
<b>Current assets</b>			
Debtors	14	14,035	13,038
Cash at bank and in hand		-	-
		<u>14,035</u>	<u>13,038</u>
<b>Creditors: amounts falling due within one year</b>	15	(9,336)	(9,571)
<b>Net current assets</b>		<u>4,699</u>	<u>3,467</u>
<b>Total assets less current liabilities</b>		15,399	15,481
<b>Provisions for liabilities and charges</b>	16	(413)	(380)
<b>Defined benefit (liability)/asset</b>	26	(709)	4,405
<b>Net assets</b>		<u>14,277</u>	<u>19,506</u>
<b>Capital and reserves</b>			
Capital reserve	17	4,045	4,045
Capital grant reserve	18	3,428	4,536
Revaluation reserves	19	3,415	4,027
Total capital reserves		<u>10,888</u>	<u>12,608</u>
General reserve	20	4,098	2,493
Defined benefit reserve	21	(709)	4,405
		<u>14,277</u>	<u>19,506</u>

**The Annual Financial Accounts were approved by the Board of Management on 12 August 2009 and signed on its behalf by**

\_\_\_\_\_ Dr Janet Brown, Accountable Officer and Chief Executive  
12 August 2009

## SQA Balance sheet at 31 March 2009

	Notes	31 March 2009 £'000	31 March 2008 £'000
<b>Fixed assets</b>			
Intangible assets	11	333	621
Tangible assets	12	8,957	10,336
Investments	13	536	544
		<hr/> 9,826	<hr/> 11,501
<b>Current assets</b>			
Debtors	14	14,035	13,038
Cash at bank and in hand		-	-
		<hr/> 14,035	<hr/> 13,038
<b>Creditors: amounts falling due within one year</b>	15	(9,336)	(9,571)
		<hr/> 4,699	<hr/> 3,467
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		14,525	14,968
<b>Provisions for liabilities and charges</b>	16	(413)	(380)
<b>Defined benefit (liability)/asset</b>	26	(709)	4,405
		<hr/> 13,403	<hr/> 18,993
<b>Net assets</b>			
<b>Capital and reserves</b>			
Capital reserve	17	4,045	4,045
Capital grant reserve	18	3,428	4,536
Revaluation reserves	19	3,415	4,027
		<hr/> 10,888	<hr/> 12,608
<b>Total capital reserves</b>			
General reserve	20	3,224	1,980
Defined benefit reserve	21	(709)	4,405
		<hr/> 13,403	<hr/> 18,993

**The Annual Financial Accounts were approved by the Board of Management on 12 August 2009 and signed on its behalf by**

\_\_\_\_\_ Dr Janet Brown, Accountable Officer and Chief Executive  
12 August 2009

## Cash flow statement for the year to 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Net cash flow from operating activities</b>	24(1)	(13,758)	(14,598)
<b>Dividends from joint venture</b>		513	288
<b>Returns on investments and servicing of finance</b>			
Interest received		264	337
Dividends received		8	8
		<hr/>	<hr/>
		272	345
<b>Taxation</b>			
Corporation tax paid		-	(255)
		<hr/>	<hr/>
		-	(255)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		-	(469)
Purchase of tangible fixed assets		(967)	(1,635)
Receipts from funds transfer		2	2
		<hr/>	<hr/>
		(965)	(2,102)
<b>Financing</b>			
Additional funding from the Scottish Government		9,158	10,425
Government funding		4,673	5,484
Capital funding		107	348
		<hr/>	<hr/>
		13,938	16,257
<b>Increase/(Decrease) in cash</b>	24(2)	<hr/>	<hr/>
		-	(65)

The notes on pages 64 to 84 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 85 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 2009 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 general reserve in the year to which they relate. Grants to fund capital expenditure are credited to the capital grant reserve and released to the 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 26).

**(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. The Authority 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 2009 have been brought into the Income and Expenditure Account irrespective of when actual payment were 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% (2008: 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.

**(14) Financial instruments**

Financial instruments are recognised on the balance sheet when an obligation is identified and released as that obligation is fulfilled. Cash, debtors and creditors are held at cost. Measurement of investments is discussed above (see note 1(5)). As SQA is substantially funded by income from Scottish Government, it is not subject to any significant liquidity risk exposure. Any cash held on deposit is with highly rated banks and there is no significant interest rate risk. SQA operates 2 bank accounts denominated in foreign currencies (Euro and US Dollar). Both of these are reconciled on a monthly basis whereupon any gains or losses on their translation to GBP are taken to the income and expenditure account. Due to the value of the balances of these accounts, there is no significant currency risk to SQA.



## 2 Segmental analysis

	Awarding and related activities £'000	Accreditation £'000	5 – 14 assessment programme £'000	Share of joint venture £'000	Total £'000
<b>2009</b>					
Income	54,152	1,267	428	-	55,847
Development funding	2,978	-	-	-	2,978
	57,130	1,267	428	-	58,825
Grant funding credited to reserves	(12,136)	(1,267)	(428)	-	(13,831)
	44,994	-	-	-	44,994
Expenditure	(57,627)	(1,256)	(428)	-	(59,311)
Excess of expenditure over income before interest	(12,633)	(1,256)	(428)	1,173	(13,144)
Net assets	12,832	233	138	1,074	14,277
<b>2008</b>					
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

### Awarding and related activities

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

	2009 £'000	2008 £'000
National Qualifications:		
National Courses and units	18,274	17,612
SCE Standard Grade	10,982	11,208
Late Appeal Charges	35	24
	29,291	28,844
Higher National Qualifications	4,095	4,029
Scottish Vocational Qualifications	2,594	2,940
Share of Joint Ventures Entry Charges	1,449	1,069
	37,429	36,882

### 4 EU funding

European Social Fund	294	570
English for Speakers of Other Languages	36	152
	330	722

### 5 Other income

Consultancy, secondments and research	2,799	1,159
Street Works Qualifications Register	517	496
Commercial testing services	3,259	2,983
Sale of publications	56	75
Royalty income	343	330
Miscellaneous income	1,710	1,686
	8,684	6,729

## 6 Employees and members

### (1) Staff costs

	2009 £'000	2008 £'000
Salaries and wages	17,476	17,263
Seconded staff	250	413
Seasonal and agency staff	1,124	1,193
Social security	1,253	1,264
Superannuation	135	152
Defined benefit operating cost	1,320	2,649
Severance & compensation	47	2
	<hr/> 21,605	<hr/> 22,936

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

### (2) Staff numbers

	2009 Number	2008 Number
Annual full time equivalents:		
Awarding and related activities		
Permanent	601	582
Fixed term	36	49
Seconded	6	8
Agency	44	51
	<hr/> 687	<hr/> 690
Accreditation	22	22
5 – 14 assessment programme	9	10
	<hr/> 718	<hr/> 722

### (3) Non Executive Board Members

	2009 £	2008 £
Fees and remuneration	<hr/> 53,363	<hr/> 50,980

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 detailed in the Remuneration Report.

Due to the nature of the 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 arms length and made in the normal course of business (see note 27).

## 7 Other operating expenses

		2009 £'000	2008 £'000
Staff related costs	7(1)	2,244	2,578
Board and committee expenses		115	98
Appointee release compensation		1,538	1,426
Appointee fees		11,858	11,556
Appointee expenses and related costs		2,209	2,354
Business development specialists' fees and expenses		5,702	4,466
Question paper production and printing		509	513
Assessment stationery and certificates		953	1,126
Property expenses		3,901	4,021
Equipment and supplies		946	842
IT costs		1,749	1,486
Postage and telephones		1,534	1,590
PR, marketing and publications		1,517	1,589
Miscellaneous		122	1,172
		<hr/> 34,897	<hr/> 34,817

### (1) Staff related costs

Staff travel	805	808
Staff subsistence	179	166
Catering for internal and examination procedures meetings	189	188
Staff training	407	792
Miscellaneous staff costs	664	624
	<hr/> 2,244	<hr/> 2,578

## 8 Income and expenditure items

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

External audit fees	47	52
Internal audit fees	65	55
Bad debts written off	(143)	179
Property rentals and service charges	2,570	2,469
Hire of office and computer equipment	395	415

## 9 Investment income

Income from investments for unfunded pensions	8	8
Other interest income	264	337
	<hr/> 272	<hr/> 345

## 10 Interest payable

	2009 £'000	2008 £'000
Finance cost of discounted SQA unfunded pensions provision	51	25
Defined benefit finance cost	(444)	(758)
Notional interest on capital employed at 3.5% (2008: 3.5%)	934	1,285
	<hr/> 541	<hr/> 552

## 11 Intangible assets

	Software Licences £'000
<b>Cost:</b>	
At 1 April 2008	1,228
Additions	-
Disposals	(35)
At 31 March 2009	<hr/> 1,193
<b>Amortisation:</b>	
At 1 April 2008	607
Charge for year	284
Disposals	(31)
At 31 March 2009	<hr/> 860
<b>Net book amount:</b>	
At 31 March 2009	<hr/> 333
At 31 March 2008	<hr/> 621

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
<b>Cost or valuation:</b>								
At 1 April 2008	525	4,148	3,085	1,499	3,486	4,986	416	18,145
Revaluation adjustment	12	115	-	-	-	-	-	127
Additions	-	-	-	-	212	65	742	1,019
Transfers	-	-	-	-	-	93	(93)	-
Disposals	-	-	-	(51)	(329)	(203)	-	(583)
At 31 March 2009	537	4,263	3,085	1,448	3,369	4,941	1,065	18,708
<b>Accumulated depn:</b>								
At 1 April 2008	-	173	450	1,005	2,477	3,704	-	7,809
Revaluation adjustment	-	-	-	-	-	-	-	-
Charge for year	-	810	203	244	559	709	-	2,525
Disposals	-	-	-	(51)	(329)	(203)	-	(583)
At 31 March 2009	-	983	653	1,198	2,707	4,210	-	9,751
<b>Net book amount:</b>								
At 31 March 2009	537	3,280	2,432	250	662	731	1,065	8,957
At 31 March 2008	525	3,975	2,635	494	1,009	1,282	416	10,336

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	4,500
Market value	2,500

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:

	<b>Feuhold buildings £'000</b>
Historical cost	2,434
Accumulated depreciation	(2,128)
Net book amount	<u>306</u>

### 13 Investments – Group

		<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Awards UK Limited – share of assets	13(1)	1,481	1,087
Awards UK Limited – share of liabilities	13(1)	(407)	(374)
Investments for unfunded pensions	13(2)	336	344
		<u>1,410</u>	<u>1,057</u>

#### Investments - SQA

Awards UK Limited	13(1)	200	200
Investments for unfunded pensions	13(2)	336	344
		<u>536</u>	<u>544</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 Limited 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 Limited has been accounted for as a Joint Venture in the group balance sheet. In accordance with FRS9 requirements, SQA's investment in Awards UK Limited is valued in the Balance Sheet at SQA's share of Awards UK Limited's assets less SQA's share of Awards UK Limited's liabilities. SQA's shares of operating profit, investment income and tax have been brought into the Income and Expenditure Account.

Awards UK Limited ceased trading at 31 March 2009 and will be wound up during the course of 2009/10.

## (2) Investments for unfunded pensions

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

## 14 Debtors

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Trade debtors	2,601	2,500
Amounts owed by Awards UK Limited	39	53
Other debtors	28	34
Prepayments and accrued income	11,367	10,451
	14,035	13,038

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

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

Included within other debtors are loans to staff amounting to £28,000 (2008: £33,000).



## 15 Creditors: amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
Trade creditors	1,058	289
Income tax and social security	2,666	2,895
Other creditors	320	343
Accruals	1,805	2,117
Deferred income	3,487	3,927
	<hr/> 9,336	<hr/> 9,571

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

Local authorities	10	15
	<hr/> 10	<hr/> 15

## 16 Provisions

	SQA unfunded pensions £'000
At 1 April 2008	380
Paid during year	(17)
Increase in provision	21
Finance cost of discounted provision	29
	<hr/>
At 31 March 2009	413

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		SQA reserves	
		31 March 2009	31 March 2008	31 March 2009	31 March 2008
		£'000	£'000	£'000	£'000
<b>17 Capital reserve</b>					
Reserve brought forward and carried forward		4,045	4,045	4,045	4,045
<b>18 Capital Grant reserve</b>					
Reserve brought forward		4,536	5,345	4,536	5,345
Government funding	22	107	350	107	350
Released to the general reserve	20	(1,215)	(1,159)	(1,215)	(1,159)
Reserve carried forward		3,428	4,536	3,428	4,536
<b>19 Revaluation reserve</b>					
Reserve brought forward		4,027	2,989	4,027	2,989
Revaluation surplus on land and buildings	12	127	1,458	127	1,458
Revaluation (deficit)/surplus on investments for unfunded pensions	13(2)	(6)	33	(6)	33
Realised on depreciation	20	(733)	(453)	(733)	(453)
Reserve carried forward		3,415	4,027	3,415	4,027

		Group reserves		SQA reserves	
		31 March 2009	31 March 2008	31 March 2009	31 March 2008
		£'000	£'000	£'000	£'000
<b>20</b>	<b>General reserve</b>				
	Reserve brought forward	2,493	736	1,980	448
	Prior year adjustment	-	(255)	-	(255)
	Restated reserve brought forward	2,493	481	1,980	193
	Realised on depreciation	18	733	733	453
	Movement on pension deficit	21	(1,396)	(1,396)	(254)
	Capital grant released	18	1,215	1,215	1,159
	Deficit for the year		(12,778)	(13,139)	(15,480)
	Government funding	22	13,831	13,831	15,909
	Reserve carried forward		4,098	3,224	1,980

## 21 Defined benefit reserve

Reserve brought forward	4,405	(2,721)	4,405	(2,721)
Movement on pension deficit	20	1,396	254	1,396
Actuarial (losses)/gains		(6,527)	6,872	(6,527)
Unfunded benefits paid		17	-	17
Reserve carried forward		(709)	4,405	(709)

## 22 Government funding

	2009 £'000	2008 £'000
Scottish Government 5 - 14 programme	428	502
Scottish Government accreditation	1,267	1,545
Scottish Government development	2,978	3,437
	4,673	5,484
Total additional funding received	9,265	10,775
Additional funding credited to capital grant reserve	(107)	(350)
	13,831	15,909

## 23 Commitments

Annual commitments under operating leases are as follows:

		2009 £'000	2008 £'000
Leases of office equipment expiring:			
	Within 1 year	204	183
	Within 2 to 5 years	-	21
Leases of land and buildings expiring:			
	Within 1 year	24	-
	Within 2 to 5 years	-	24
	In over 5 years	1,149	1,149

The Scottish Government entered into a 15 year lease in September 2005 with the owners of the Optima Building in Glasgow and has sub leased part of that accommodation to SQA. The Scottish Government pays the Optima rent and landlord's management charges for the Optima Building without recourse to SQA. The treatment of this arrangement shows the cost of the Optima rent included in property expenses (note 7) and the notional refund included in government funding (note 22).

## 24 Notes to cash flow statement

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

Excess of expenditure over income before interest	(14,317)	(16,846)
Depreciation	2,809	2,357
Loss on disposal of fixed assets	4	-
Decrease in debtors	(997)	(592)
(Decrease) / increase in creditors	(287)	73
(Decrease) in provisions	(18)	(94)
(Increase) / decrease in defined benefit liability	(952)	504
Net cash flow from operating activities	(13,758)	(14,598)

### (2) Reconciliation of movement in cash and overdrafts

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

### (3) Reconciliation of cashflow to net debt

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

#### (4) Analysis of movement in net debt

	1 April 2008 £'000	Cash flows £'000	31 March 2009 £'000
Cash, overdrafts and liquid resources	-	-	-
	-	-	-

#### 25 Post balance sheet events

There are no significant post balance sheet events requiring disclosure.

#### 26 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 an unfunded multi employer defined benefit scheme covering teachers and related occupations and is the responsibility of the Scottish Public Pensions Agency. These arrangements comply with the guidance contained in 'Non-Departmental Public Bodies: A guide for Departments'.

Both schemes provide benefits based on final pensionable pay, and contributions during the year totalled £2,408,000 (2008: £2,297,000), consisting of £2,273,000 (2008: £2,145,000) to the LGSS Scheme and £135,000 (2008: £152,000) to the TSS Scheme. Included within creditors are outstanding contributions of £245,000 (2008: £252,000) due to the LGSS scheme and £15,000 (2008: £18,000) due to the TSS scheme at 31 March 2009.

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

The TSS is treated as a defined contribution scheme as the Scottish Public Pensions Agency is unable to provide information to enable SQA to identify its share of the liabilities of the TSS at 31 March 2009. The results of the 2005 valuation have been rolled forward to give a liability of £19.33 billion at 31 March 2008. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates are set by the scheme actuary at a level to meet the cost of pensions as they accrue.

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

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

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

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Opening defined benefit obligation	48,516	55,009
Current service cost	1,756	2,642
Past service cost	58	37
Interest cost	3,387	3,043
Contributions by plan participants	824	803
Actuarial gains	(8,374)	(12,287)
Losses on curtailments	64	-
Benefits paid	(1,466)	(731)
Unfunded benefits paid	(17)	-
Closing defined benefit obligation	<u>44,748</u>	<u>48,516</u>

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

Opening fair value of plan assets	52,921	52,288
Expected return on assets	3,831	3,801
Contributions by plan participants	824	803
Contributions by employer	2,830	2,175
Actuarial losses	(14,901)	(5,415)
Benefits paid	(1,466)	(731)
Closing fair value of plan assets	<u>44,039</u>	<u>52,921</u>

It is estimated that employer's contributions for the year to 31 March 2010 will be approximately £2,468,000.

The major categories of plan assets are as follows:

Equities	73%	32,149	73%	38,421
Bonds	16%	7,046	14%	7,618
Property	8%	3,523	10%	5,208
Cash	3%	1,321	3%	1,674
Total fair value of plan assets		<u>44,039</u>		<u>52,921</u>

The amounts recognised in the balance sheet are as follows:

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>
Present value of funded obligations	(44,512)	(48,296)	(54,762)	(43,288)	(43,287)
Fair value of plan assets	44,039	52,921	52,288	46,963	34,557
	(473)	4,625	(2,474)	3,675	(8,730)
Present value of unfunded obligations	(236)	(220)	(247)	(253)	(207)
(Liability) / Asset	(709)	4,405	(2,721)	3,422	(8,937)
Amounts in the Balance Sheet:					
Liabilities	(709)	-	(2,721)	-	(8,937)
Assets	-	4,405	-	3,422	-
Net (liability) / asset	(709)	4,405	(2,721)	3,422	(8,937)

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

	<b>Year to 31 March 2009 £'000</b>	<b>Year to 31 March 2008 £'000</b>
Current service cost	1,756	2,642
Interest on obligation	3,387	3,043
Expected return on plan assets	(3,831)	(3,801)
Past service cost	58	37
Losses on curtailments and settlements	64	-
Total	1,434	1,921
Actual return on plan assets	(11,238)	(1,614)

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 2009 for the year to 31 March 2010).

The amounts for the current and previous accounting periods are as follows:

	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>
Fair value of plan assets	44,039	52,921	52,288	46,963	34,557
Present value of defined benefit obligation	(44,748)	(48,516)	(55,009)	(43,541)	(43,494)
(Deficit) / Surplus	(709)	4,405	(2,721)	3,422	(8,937)
Experience gains / (losses) on assets	(14,901)	(5,415)	39	7,326	1,142
Experience gains /(losses) on liabilities	4,605	5	(542)	72	(67)

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

	<b>Year to 31 March 2009 £'000</b>	<b>Year to 31 March 2008 £'000</b>
Actuarial gains and (losses) arising on the defined benefit obligation	8,374	12,274
Actuarial gains and (losses) arising on the fair value of plan assets	(14,901)	(5,415)
Actuarial (loss) / gain recognised in SRGL	(6,527)	6,859

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

Financial assumptions:

	<b>31 March 2009</b>	<b>31 March 2008</b>
Pension increase rate	3.1%	3.6%
Salary increase rate	4.6%	5.1%
Return on assets	6.5%	7.1%
Discount rate	6.9%	6.9%

Non-financial assumptions:

The life expectancy for pensioners and non-pensioners is based on the PMA/PFA92 'year of birth' mortality tables, with mortality improvements projected based on members' individual year of birth.

Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
Current pensioners	20.3 years	23.2 years
Future pensioners	21.7 years	24.6 years



## 27 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, there were no balances outstanding (2008: £80,000). In addition, SQA has had material transactions with the Scottish Government Lifelong Learning Directorate (SGLLD). At the year end, there were no balances outstanding (2008: £nil). Grant funding received from the Scottish Government is disclosed in note 22.

During the year SQA made cost recharges and sold goods and services in the ordinary course of business totalling £415,000 (2008: £332,000) to Awards UK Limited, a 50% owned joint venture company (see note 13). Amounts outstanding at the year end are disclosed separately (see note 14). SQA Directors, John McDonald and Ron Sylvester, hold the position of board members there.

During the year SQA levied entry charges totalling £247,000 (2008: £249,000) to Jewel and Esk College. In addition, £3,000 (2008: £5,000) of charges were incurred by SQA from Jewel and Esk College. These transactions were in the normal course of business. At the year end £4,000 (2008: £3,000) was owed to SQA. Jewel and Esk 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 £391,000 (2008: £357,000) to Forth Valley College. In addition, SQA incurred charges of £7,000 (2008: £74,000) from Forth Valley College. These transactions were in the normal course of business. At the year end £2,000 (2008: £2,000) was owed to SQA. Forth Valley College is a related party as former SQA Board Member, Linda McKay, holds the post of Principal there.

During the year SQA levied entry charges totalling £193,000 (2008: £276,000) to Stevenson College. In addition, £53,000 (2008: £83,000) of charges were incurred by SQA from Stevenson College. These transactions were in the normal course of business. At the year end £2,000 (2008: £87,000) 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 levied charges of £70,000 (2008: £70,000) to Learning and Teaching Scotland. In addition, SQA incurred charges of £38,000 (2008: £77,000) from Learning and Teaching Scotland. These transactions were in the normal course of business. At the year end there were no balances outstanding (2008: £18,000). 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 £137,000 (2008: £139,000) to Madras College. Additionally, SQA incurred charges of £9,000 (2008: £6,000) 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 Chief Executive, Dr Janet Brown, holds the position of Board Member there. There were no transactions between the SCQF Partnership and SQA during the year.

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

## **28 Creditor payment terms**

SQA observe the Better Payment Practice Code (details of which are at [www.payontime.co.uk](http://www.payontime.co.uk)) and are committed to paying suppliers within 30 days from receipt of a valid invoice, where no other contract timetable applies.

As a central Government body, however, changes to the Code meant that, from December 2008, SQA was required to pay suppliers within 10 days from receipt of a valid invoice, where no other contract timetable applies.

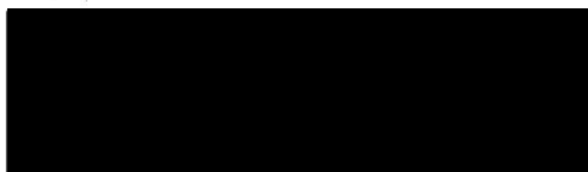
From April 2008 to November 2008, we paid 97% of all invoices within the terms of the 30 day policy and from December 2008 to March 2009 we paid 58% of all invoices within the terms of the 10 day policy.



## 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