

# Scottish Qualifications Authority

2024/25 Annual Audit Report



Prepared for SQA and the Auditor General for Scotland  
November 2025

---

# Contents

---

|   |    |
|---|----|
| Key messages                            | 3  |
| Introduction                            | 4  |
| Audit scope and responsibilities        | 5  |
| Audit of the annual report and accounts | 7  |
| Wider scope and Best Value audit        | 13 |
| Appendix 1                              | 21 |
| Appendix 2                              | 25 |

---

## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

---

# Key messages

---

## Audit of the annual report and accounts

- 1** All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2** Our audit work identified errors in the financial statements relating to non-current assets and to disclosures around staff costs. All audit adjustments required to correct the financial statements were processed by SQA.

## Wider scope and Best Value audit

- 3** SQA has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- 4** Improvements could be made to the performance report to provide a clear, concise and evidence-based assessment of how the authority is performing.
- 5** The organisation, and its successor, should address issues in cyber resilience with urgency and focused attention.

---

# Introduction

---

## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Scottish Qualifications Authority's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to the Scottish Qualifications Authority, hereafter referred to as 'SQA' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

## Appointed auditor and independence

3. As reported in the Annual Audit Plan, Michael Oliphant (appointed auditor) and the audit team are independent of SQA in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from SQA, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank SQA and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit.

---

# Audit scope and responsibilities

---

## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited parts of the Remuneration and Staff Report.
- Conclusions on SQA's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on SQA's arrangements for securing Best Value.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of SQA and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on SQA's arrangements in place for the wider scope areas and Best Value.

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve SQA from its responsibilities outlined below.

**9.** The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

### **Scottish Qualifications Authority's responsibilities**

**10.** SQA has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for SQA that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

### **National and performance audit reporting**

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to SQA and the Audit Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

# Audit of the annual report and accounts

## Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

Our audit work identified errors in the financial statements relating to non-current assets and to disclosures around staff costs. All audit adjustments required to correct the financial statements were processed by SQA.

## Audit opinions on the annual report and accounts

**12.** SQA's annual report and accounts were approved by the Board on 26 November 2025. The Independent Auditor's Report is included in SQA's annual report and accounts, and this reports that these were free from material misstatement with no modifications across each audit opinion.



## Audit timetable

**13.** The unaudited annual report and accounts and all working papers were received on 28 August 2025, in accordance with the agreed audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £70,500. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

**15.** The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

**16.** Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to

influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

**17.** Materiality levels for the audit of SQA were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated, and these can be seen in [Exhibit 1](#).

## Exhibit 1

### 2024/25 Materiality levels for SQA

| Materiality  |               |
|--|---------------|
| <b>Materiality</b> – set at 2% of gross expenditure  | £2.2 million  |
| <b>Performance materiality</b> – set at 60% of materiality.<br>As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. | £1.32 million |
| <b>Reporting threshold</b> – set at 5% of materiality.   | £0.11 million |

Source: Audit Scotland

## Significant findings and key audit matters

**18.** ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for SQA is the Audit Committee.

**19.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**20.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.



- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

**21.** The significant findings and key audit matters to report are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters

| Significant findings and key audit matters   | Outcome  |
|--|--|
| <p><b>1. Accounting for non-current assets</b></p> <p>SQA discloses non-current assets totalling £33.664 million on its Statement of Financial Position, primarily comprising a right-of-use property lease, IT equipment, and software. Our audit identified errors in the accounting treatment of these assets as follows:</p> <ul style="list-style-type: none"> <li>• <b>Depreciation Errors:</b> Errors in the processing of depreciation charges required adjustments that reduced the overall net book value of assets by £1.197 million.</li> <li>• <b>Assets Under Construction:</b> Corrections were necessary to address errors in the accounting for assets under construction, resulting in a £0.308 million increase in the value of that class of intangible assets.</li> <li>• <b>Asset Register:</b> There is scope to enhance the accuracy and reliability of the asset register through more frequent, year-round updates. In addition, improvements are needed to establish a clearer audit trail linking the register to physically-tagged assets.</li> </ul> | <p>Management processed all necessary adjustments to the financial statements.</p> <p>There is scope to enhance the accuracy and reliability of the asset register.</p> <p><b>Recommendation 1</b></p>   |
| <p><b>2. Inclusion of appointees and costs</b></p> <p>SQA employs a significant number of individuals as appointees, which are temporary contracted roles filled by teaching professionals and subject specialists to carry out such responsibilities as reviewing</p>   | <p>An amendment was made to reclassify £19.590 million of operating expenses relating to appointee fees as staff costs, and disclosures in the remuneration and staff report now reflect the employment of 18,162 individuals as appointees.</p> |

| Significant findings and key audit matters | Outcome |
|--|---------|
|--|---------|

|   |  |
|---|--|
| assessments, invigilators, marking and quality assurance. |  |
|---|--|

|   |  |
|---|--|
| In the initial draft of the accounts, the FTE numbers for individuals in these roles was not included, and the payments made to appointees were classified as operating expenses rather than staff costs. |  |
|---|--|

Source: Audit Scotland

## Qualitative aspects of accounting practices

**22.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of SQA's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

### Accounting policies

**23.** The appropriateness of accounting policies adopted by SQA was assessed as part of the audit. These were considered to be appropriate to the circumstances of SQA, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

### Accounting estimates

**24.** Accounting estimates are used in a number of areas in SQA's financial statements, including the valuation of non-current assets and the valuation of the pension liability. Audit work considered the process management of SQA has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

### Disclosures in the financial statements

**25.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as the valuation of the pension liability.

## Significant matters discussed with management

**26.** All significant matters identified during the audit and discussed with SQA's management have been reported in the Annual Audit Report.

## Audit adjustments

**27.** Management of SQA processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

## Significant risks of material misstatement identified in the Annual Audit Plan

**28.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3, \(page 11\)](#).

### Exhibit 3

#### Significant risks of material misstatement to the financial statements

| Risk of material misstatement   | Planned audit response  | Outcome of audit work  |
|---|---|--|
| <p><b>Fraud caused by management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships</li> </ul> | <p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• The design and implementation of controls over journal processing were appropriate.</li> <li>• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>• No significant issues were identified from testing of journal entries.</li> <li>• No significant issues were identified from transactions outside the normal course of business.</li> <li>• The controls in place for identifying and disclosing related party relationships and transactions were adequate.</li> <li>• No significant issues were identified with changes to methods and underlying</li> </ul> |

| Risk of material misstatement   | Planned audit response   | Outcome of audit work   |
|---|--|---|
|   | <p>and transactions in the financial statements.</p> <ul style="list-style-type: none"> <li>Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul> | <p>assumptions used to prepare accounting estimates and there was no evidence of management bias.</p> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p> |
| <p><b>Valuation of property, plant and equipment</b></p> <p>SQA held £27.228 million of property, plant, and equipment (PPE) at 31 March 2024.</p> <p>There is a significant degree of subjectivity in the valuations of these assets, and changes in the assumptions can result in material changes to valuations.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> <li>Review the appropriateness of the key data and assumptions used in the 2024/25 valuation, and challenge these where required.</li> </ul>  | <p>Refer <a href="#">Exhibit 2</a> for our findings in this area. All necessary adjustments were processed in the financial statements.</p>   |

Source: Audit Scotland

## Prior year recommendations

**29.** SQA has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with SQA and are outlined in [Appendix 1](#).

---

# Wider scope and Best Value audit

---

## Conclusion

SQA has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Improvements could be made to the performance report to provide a clear, concise and evidence-based assessment of how the authority is performing.

The organisation and its successor should address issues in cyber resilience with urgency and focused attention.

## Audit approach to wider scope and Best Value

### Wider scope

**30.** As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

**31.** Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements SQA has in place for each of these is reported in this chapter.

### Duty of Best Value

**32.** The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

## Conclusions on wider scope audit

### Financial Management and sustainability

**33.** Consideration of the arrangements SQA has in place to secure Best Value has been carried out alongside the wider scope audit.

**34.** The audit work performed on the arrangements SQA has in place for financial management found that these were broadly effective and appropriate. Our overall judgement is evidenced by SQA:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies;
- having policies and procedures in place that broadly ensure effective financial management and prevent and detect fraud and other irregularities;
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role; and
- having appropriate arrangements in place to support sound financial management, with scrutiny and challenge provided by the Audit Committee.

### **SQA ended the year with an overall overspend of £0.165 million against its resource budget provided by the Scottish Government**

**35.** The main financial objective for SQA is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. Broadly, the SQA has two sources of income to cover its operational costs:

- Income from fees and charges relating to the provision of examinations and qualifications.
- Central funding, termed “grant-in-aid”, from the Scottish Government.

**36.** The amount of grant-in-aid allocated by the Scottish Government is termed the Departmental Expenditure Limit (DEL), and this covers most current expenditure such as staff salaries and operating costs. SQA also receives an annual capital DEL to fund investment in assets. Resource DEL is further split into cash and non-cash (ringfenced) elements.

**37.** The level of resource funding provided by the Scottish Government was £50.225 million, with the remaining income (£50.071 million) from qualifications and other operating income. SQA reported an actual “drawdown” of £50.390 million for its resource DEL, an overspend of £0.165 million. Total expenditure during the year was £110.879 million.

### **The budget for 2025/26 includes costs for transition, and there are plans to redevelop the funding model for Qualifications Scotland**

**38.** A draft budget 2025/26 was presented to the board in March 2025, setting out total revenue expenditure as £115.9 million and capital expenditure of £8.9 million. The budget is revised as the year progresses.

**39.** As at October 2025, SQA forecasts a revised total expenditure of £110.350 million and anticipates income from the Scottish Government of £66.383 million within its total resource DEL. A substantial portion of SQA's income is generated through fees and charges, primarily entry fees. Typically, the Scottish Government provides funding to address any resulting shortfall, although this support is only confirmed following the completion of the budget-setting process. A remaining funding gap of £4.428 million is currently under negotiation with the Scottish Government.

**40.** SQA/Qualifications Scotland has been asked to identify savings from 2025-26 to 2028-29 as a result of the Scottish Spending Review and Public Services Reform Strategy, and has drawn up a plan to achieve this. There are also ongoing discussions with the Scottish Government to review the overall financial position and funding model of SQA/Qualifications Scotland, including a review of the budget calendar.

### **SQA has policies in place for preventing and detecting fraud**

**41.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption. SQA has adequate arrangements in place to prevent and detect fraud and other irregularities.

**42.** SQA participates in the National Fraud Initiative (NFI). NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. A new exercise has started in 2024/25, with SQA providing data in line with the expected timetable and currently working through matches. The Audit Committee is kept informed with the progress against this exercise, with final conclusions expected in 2026.

**43.** Internal Audit provides the Audit Committee, Board of Management and Accountable Officer with independent assurance on SQA's risk management, internal control and corporate governance processes. During 2024/25, Grant Thornton was appointed to carry out this function.

**44.** The opinion of internal audit, reported to the June 2025 meeting of the Audit Committee, stated 'reasonable assurance with some improvement required' can be given on the overall adequacy and effectiveness of SQA's framework of governance, risk management and control. Internal audit identified two high risk recommendations relating to their review of business system and transformation IT controls. This noted improvements required in data classification and in cryptographic protocols.



### **SQA has suitably qualified and experienced staff leading the finance function**

**45.** In 2023/24, we recommended that SQA should ensure it has sufficient capacity in its finance team to ensure effective management of the immediate financial challenge. Following this recommendation, finance capacity has improved, with the recruitment of Director of Finance in March 2025.

## **Vision, Leadership and Governance**

**46.** The audit work performed on the arrangements SQA has in place around its Vision, Leadership and Governance found that these were broadly effective and appropriate. This judgement is evidenced by SQA:

- having a corporate plan in place, that sets out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- having financial and performance reporting in place, with scrutiny and challenge of performance provided by the Audit and Performance committees.
- Having broadly effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

### **SQA is assisting in the transition to the new qualifications body**

**47.** The Education (Scotland) Bill, introduced in June 2024, established a new qualifications body, Qualifications Scotland. Qualifications Scotland will replace the Scottish Qualifications Authority and will assume the responsibilities and functions of SQA. The bill also includes provisions to create the office of His Majesty's Chief Inspector of Education in Scotland, replacing the inspection function currently within Education Scotland.

**48.** The Education (Scotland) Bill received Royal Assent in August and became the Education (Scotland) Act 2025. The Act will give Qualifications Scotland its awarding and accreditation functions, however these functions cannot commence until UK legislation, a Scotland Act Section 104 Order, has come into force. SQA is working towards a phased transition period from December 2025 with a target date for Qualifications Scotland becoming fully operational of 1 February 2026.

**49.** To assist in the transition, a Transition Board is in place, co-chaired by the SQA Chair and the Scottish Government's Director of Education Reform. The Transition Board focuses on programme progress and readiness for day one of operation. This includes consideration of the transition programme risk register, finance and budget updates, communication and engagement, and governance arrangements.



**50.** Updates from the Transition Board are reported to the Board of Management. This includes key points from the most recent meeting of the Transition Board, as well as regular presentation of the transition risk register as part of regular corporate risk reporting.

### **Cyber arrangements**

**51.** In 2022/23, we identified that there was scope to strengthen SQA's cyber security arrangements, including putting plans in place to achieve independent accreditation in compliance with the Public Sector Cyber Security Framework. SQA has not achieved Cyber Essentials accreditation - which is the UK Government's minimum baseline standard for cyber security for organisations of all sizes.

**52.** SQA made some progress in relation to this recommendation in the prior year, with the implementation of an immutable back-up solution, however further work was required in 2024/25 to develop a roadmap to achieve Cyber Essentials accreditation.

**53.** A "Cyber Security Roadmap" has been developed and has been designed to be taken forward by the new qualifications body once SQA ceases to exist. It is expected to be implemented in April 2026 and includes working towards Cyber Essentials accreditation.

**54.** In 2024, a third-party independent reviewer was commissioned to review the organisation's cyber resilience. It produced a list of recommendations for improvement. The roadmap aims to set out a three-year plan for addressing the points raised by the report..

**55.** We have observed throughout our audit engagement that progress toward achieving independent cyber resilience accreditation has been notably slow. SQA and Qualifications Scotland, once established, should prioritise addressing these issues with urgency and focused attention.

**Follow-up on prior-year recommendations, Appendix 1**

### **Use of Resources to Improve Outcomes**

**56.** The audit work performed on the arrangements SQA has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate, however the performance report should avoid using excessive detail to ensure the main messages are clear and the report is accessible to readers. This judgement is evidenced by SQA:

- being able to demonstrate a link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

## Performance Reporting

**57.** In 2023/24, we raised an action point for performance reporting which included improvements relating to the inclusion of indicators which show both positive and negative aspects of performance, as well as ensuring performance report avoids using excessive detail so key messages are clear and accessible to readers.

**58.** Some progress has been made towards the first of these points, with outcomes and deliverables in line with the corporate plan more clearly set out in the performance report, and RAG ratings included to show performance against these deliverables.

**59.** However, there remains scope to ensure the performance report is appropriately focused and concise. The report provides a comprehensive narrative of each business group's activities over the year, rather than a clear and strategic assessment of performance against the organisation's objectives.

**60.** The performance report in the annual report and accounts should provide a clear, concise and evidence-based assessment of how the authority is performing. It should clearly identify areas of underperformance, outline the actions being taken to address them, and support its conclusions with relevant data and trend analysis.

**Follow-up on prior-year recommendations, Appendix 1**

## Conclusions on duty of Best Value

**61.** The audit work performed on the arrangements SQA has in place for securing Best Value found these were broadly effective and appropriate. This judgement is evidenced by:

- SQA having well established governance arrangements in place, with Best Value being a deliverable of its corporate plan .
- Progress SQA is making to embed sustainability into corporate and operational plans.
- Undertaking a statement of effectiveness against the seven key themes set out in the Scottish Government's Public Finance Manual.

## Best Value themes from Scottish Public Finance Manual

**62.** Our audit recommendation from 2022/23 recommended that SQA's best value action plan should be aligned to demonstrate achievement against the seven key themes set out in the Scottish Public Finance Manual.

**63.** SQA has produced a Best Value Statement, which was presented to the Performance Committee on 3 November 2025. This statement sets out SQA's approach and evidence against the seven key themes set out in the

Scottish Public Finance Manual, which addresses the recommendation raised in 2022/23.

## Significant wider scope and Best Value risks

**64.** Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

### Exhibit 4

#### Significant wider scope and Best Value risks

| Significant risk   | Planned audit response  | Outcome of audit work  |
|--|---|--|
| <p><b>Replacement of SQA</b></p> <p>The Scottish Government has advanced plans to create a new qualifications body, Qualifications Scotland (QS).</p> <p>The transition to QS is expected to be completed later in 2025, and there is a risk this may have an adverse impact on operational planning and delivery.</p> | <p>The audit team will:</p> <p>Assess the arrangements SQA has in place to support transition to QS.</p>      | <p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• SQA is working towards a phased transition period between December 2025 and February 2026, with Qualifications Scotland expected to become fully operational from 1 February 2026.</li> <li>• To assist in the transition to the new qualifications body, a Transition Board is in place.</li> <li>• Updates from the Transition Board are reported to the Board of Management. This includes key points from the most recent meeting of the Transition Board, as well as regular presentation of the transition risk register as part of regular corporate risk reporting.</li> </ul> |
| <p><b>Cyber Security</b></p> <p>In 2022/23 we identified that there was scope to strengthen SQA's cyber security arrangements,</p>   | <p>The audit team will:</p> <p>Consider the progress SQA has made in developing an implementation plan to</p> | <p>Refer <a href="#">paragraphs 51-55</a> for our audit findings.</p>  |

| Significant risk  | Planned audit response                      | Outcome of audit work |
|---|---|-----------------------|
| <p>including putting plans in place to achieve independent accreditation in compliance with the Public Sector Cyber Security Framework.</p> <p>SQA have made some progress in relation to this with the implementation of an immutable back-up solution, however further work needs to be done to develop a roadmap to achieve Cyber Essentials accreditation.</p> <p>Recent incidents in Scotland's public sector demonstrate the significant impact that a cyber attack can have on both the finances and operation of an organisation.</p> | <p>gain cyber essentials accreditation.</p> |                       |

Source: Audit Scotland

---

# Appendix 1

## Action plan 2024/25

### 2024/25 recommendations

| Matter giving rise to recommendation   | Recommendation   | Agreed action, officer and timing   |
|--|--|---|
| <p><b>1. Accounting for non-current assets</b></p> <p>There is scope to enhance the accuracy and reliability of the asset register.</p> <p><b>Risk:</b> Without reliable and clear asset records, there is a risk of errors in year-end accounts, an inability to demonstrate value for money and increased risk of duplication or loss of assets.</p> | <p>SQA should maintain the asset register with more frequent, year-round updates. Improvements are needed to establish a clearer audit trail linking the register to physically-tagged assets.</p> | <p><b>Accepted</b></p> <p>SQA will carry out a complete review of the non-current asset process which will deliver greater accountability and clearer lines of responsibility within the financial accounting team, as well as move to a more regular reconciliation and review process. This will be enabled by development of a FP&amp;A team which will allow for greater definition and segregation of the financial and management reporting and governance tasks.</p> <p><b>Responsible officer – Director of Finance.</b></p> <p><b>Agreed date – Review by 31 December 2025 with implementation in Q1 2026.</b></p> |

### Follow-up of prior year recommendations

| Matter giving rise to recommendation  | Recommendation, agreed action, officer and timing   | Update                    |
|---|---|---------------------------|
| <p><b>1. Foreign exchange accounting</b></p> <p>IAS 21 requires that any monetary assets and liabilities denominated in foreign currencies are remeasured at the accounts closing date, with any gain or loss arising</p> | <p>Monetary assets and liabilities denominated in foreign currencies should be remeasured at the accounts closing date.</p> <p><b>Head of Financial Systems</b></p> <p><b>31 March 2025</b></p> | <p><b>Implemented</b></p> |

| Matter giving rise to recommendation   | Recommendation, agreed action, officer and timing  | Update   |
|--|--|--|
| <p>on the restatement of such balances taken to the Statement of Comprehensive Net Expenditure.</p> <p>Although SQA have an accounting policy in their annual accounts which reflects this requirement, our testing has identified that this remeasurement does not happen in practice, with outstanding foreign currency invoices based on the exchange rate at the date that the invoice was issued.</p> <p><b>Risk</b> – Assets and liabilities denominated in foreign currencies are misstated in the annual accounts.</p>       |  |  |
| <p><b>2. Finance team capacity</b></p> <p>SQA's functions are due to be replaced by a new body, Qualifications Scotland, by Autumn 2025, and so the authority effectively operates planning on an annual basis. Plans to create a medium-term financial strategy had been in development, and progress was delayed due to uncertainty. The post of director of finance has been vacant since May 2024.</p> <p><b>Risk</b> – There is a risk that the SQA operates without appropriate strategic finance direction or leadership.</p> | <p>SQA should ensure that is has sufficient capacity in its finance team to ensure effective management of the immediate financial challenge. Financial reporting to the board should clearly identify the funding gap and specific measures taken to achieve spending efficiencies.</p> <p><b>Director of People</b></p> <p><b>31 March 2025.</b></p> | <p><b>Implemented</b></p>  |
| <p><b>3. Performance report</b></p> <p>The Government Financial Reporting Manual (FReM) requires the annual report and accounts to include a performance report.</p>   | <p>The performance report in the annual accounts presented to audit should provide a clear, objective and fair assessment of performance against SQA's objectives over the year.</p>   | <p><b>Work in progress</b></p> <p>Qualification Scotland's first three-year Corporate Plan is being worked on with the aim to simplify the overall plan and the outcomes and deliverables that are associated with this. A focus</p> |

| Matter giving rise to recommendation   | Recommendation, agreed action, officer and timing   | Update  |
|--|---|---|
| <p>While the guidance allows flexibility in terms of the level of performance information included, there is an expectation that the commentary gives an overview of the service performance in year and the inclusion of relevant indicators should tell the full story of the organisation, including both positive and negative aspects of performance.</p> <p>The performance report should avoid using excessive detail to ensure the main messages are clear and the report is accessible to readers.</p> <p><b>Risk</b> – There is a risk of a lack of transparency over performance reporting.</p> | <p>Director of Corporate Strategy and Business Development<br/>31 March 2025</p> <p><b>Updated recommendation 2024/25:</b> The performance report in the annual report and accounts should provide a clear, concise and evidence-based assessment of how the authority is performing. It should clearly identify areas of underperformance, outline the actions being taken to address them, and support its conclusions with relevant data and trend analysis</p>  | <p>on the plan is to ensure that the deliverables are concise, transparent and measurable. In doing so, this will define the quarterly performance measures that will be used to guide the new organisation and therefore shape the new performance report for QS. While the next set of accounts will be for 2025/26, the new corporate plan will cover QS performance from 2026/27 and therefore the majority of this action will be completed for that financial year's performance report. However, for 2025-26 we will undertake to simplify the performance report wording under the existing deliverables framework.</p> <p><b>Responsible officer - Chief Executive</b></p> <p><b>Agreed date - Next two financial year ends.</b></p> |
| <p><b>4. b/f 22/23 Audit – Cyber security</b></p> <p>In November 2022, internal audit reported their review of the cyber security arrangements at SQA. The report was able to provide a partial level of assurance with two high and four medium rated findings identified.</p>  | <p>There is scope to strengthen SQA's cyber security arrangements. The authority should ensure it has plans in place to achieve independent accreditation in compliance with the Public Cyber Resilience Framework.</p> <p>SQA will undertake an external assessment, implementation plan and delivery to allow SQA to achieve Cyber Essentials accreditation.</p> <p>Director of Business Systems<br/>June 2025</p> <p><b>Update 2024/25:</b> SQA and Qualifications Scotland, once established, should prioritise</p> | <p><b>Work in progress</b></p> <p>SQA continues to prioritise cyber resilience as a key objective of the organisation amongst other competing priorities including transition to Qualifications Scotland and digital transformation. Development of a cyber resilience strategy and roadmap plus the substantial evidence of progress highlights its overall commitment to achieving the goal of Cyber Essentials.</p> <p>Director of Business Systems</p>  |

| Matter giving rise to recommendation  | Recommendation, agreed action, officer and timing  | Update                    |
|---|--|---------------------------|
|   | addressing these issues with urgency and focused attention.  |                           |
| <p><b>5. b/f 22/23 Audit – Best value themes</b></p> <p>SQA’s best value action plan could be improved by linking to the Scottish Government’s specific BV themes.</p> <p><b>Risk</b> – SQA is unable to demonstrate compliance with the duty of best value in line with the characteristics set out in the Scottish Public Finance Manual.</p> | <p>The best value action plan should be aligned to demonstrate achievement against the seven key themes set out in the Scottish Public Finance Manual.</p> | <p><b>Implemented</b></p> |



# Appendix 2

## Supporting national and performance audit reports

| Report name   | Date published    |
|---|-------------------|
| <a href="#">Local government budgets 2024/25</a>  | 15 May 2024       |
| <a href="#">Scotland's colleges 2024</a>  | 19 September 2024 |
| <a href="#">Integration Joint Boards: Finance and performance 2024</a>                        | 25 July 2024      |
| <a href="#">The National Fraud Initiative in Scotland 2024</a>                                | 15 August 2024    |
| <a href="#">Transformation in councils</a>  | 1 October 2024    |
| <a href="#">Alcohol and drug services</a>   | 31 October 2024   |
| <a href="#">Fiscal sustainability and reform in Scotland</a>                                  | 21 November 2024  |
| <a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>      | 26 November 2024  |
| <a href="#">NHS in Scotland 2024: Finance and performance</a>                                 | 3 December 2024   |
| <a href="#">Auditing climate change</a>   | 7 January 2025    |
| <a href="#">Local government in Scotland: Financial bulletin 2023/24</a>                      | 28 January 2025   |
| <a href="#">Transparency, transformation and the sustainability of council services</a>       | 28 January 2025   |
| <a href="#">Sustainable transport</a>   | 30 January 2025   |
| <a href="#">A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study</a> | 20 February 2025  |
| <a href="#">Additional support for learning</a>   | 27 February 2025  |
| <a href="#">Integration Joint Boards: Finance bulletin 2023/24</a>                            | 6 March 2025      |
| <a href="#">Integration Joint Boards finances continue to be precarious</a>                   | 6 March 2025      |
| <a href="#">General practise: Progress since the 2018 General Medical Services contract</a>   | 27 March 2025     |
| <a href="#">Council Tax rises in Scotland</a>   | 28 March 2025     |

# Scottish Qualifications Authority

## 2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 **Email: [info@audit.scot](mailto:info@audit.scot)**  
**[www.audit.scot](http://www.audit.scot)**