



Qualifications and
Curriculum Authority

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Annual Report and Accounts 2007–08

Financial statements of the Qualifications and Curriculum Authority and the Group for the year ended 31 March 2008, together with the Certificate and Report of the Comptroller and Auditor General thereon.

Presented pursuant to Education Act 1997, chapter 44, schedule 4, paragraph 18(3)



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Management commentary

Background

The Qualifications and Curriculum Authority (QCA) was established on 1 October 1997 as a statutory body under Section 21 of the Education Act 1997.

The remit of QCA is detailed in sections 22–26 of the Education Act 1997 and is summarised below.

The role of QCA is to advance education and training in England, particularly with a view to promoting quality and coherence.

QCA's functions in relation to the curriculum and school examinations and assessment are to:

- keep all aspects under review and advise the Secretary of State for Children, Schools and Families;
- advise the Secretary of State on research and development;
- publish information;
- audit the quality of assessments;
- accredit schemes for the baseline assessment of five-year-old children;
- advise the Secretary of State on the approval of qualifications for use in schools.

QCA's specific functions in relation to external qualifications are to:

- keep all aspects under review and advise the Secretaries of State for Children, Schools and Families and Innovation, Universities and Skills;
- advise the Secretaries of State on research and development;
- publish information and provide support and advice to those providing courses leading to such qualifications;
- develop and publish criteria for the accreditation of qualifications;
- accredit qualifications and advise the Secretaries of State on their approval.

The QCA group comprises six divisions and a wholly owned subsidiary company, QCA (Enterprises) Limited, the main function of which is to generate income from sales of QCA publications and products. The results for the QCA group are consolidated in accordance with Financial Reporting Standard 2.

QCA is financed by Grant-in-Aid from the Department for Children, Schools and Families (DCSF), and grant income from the Department for Employment and Learning (DEL) in Northern Ireland, and receives further income from the Department for Education and Lifelong Learning and Skills (DELLS) in Wales. All the profits of QCA (Enterprises) Limited are paid to QCA under gift aid. QCA is a charity by exemption and the accounts are prepared in accordance with the accounts direction issued by the Secretary of State for Children, Schools and Families.

Results for the QCA Group

Net expenditure for the year amounted to £170.5 million. Grant-in-Aid received in the year amounted to £157.4 million. The excess net expenditure over Grant-in-Aid received arises from timing of provisions in the financial year, see note 11 to the accounts on page 39, for which Grant-in-Aid will be received in later years.

The profit for the year on ordinary activities before taxation for QCA (Enterprises) Limited amounted to £3.8 million. This amount is payable to QCA under gift aid at the year-end.

The balance sheet at 31 March 2008 shows net liabilities of £29.2 million. This includes restricted funds of £15.2 million for national occupational standards and thereby results in other net liabilities of £44.4 million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the QCA's other sources of income, may only be met by future grants or Grant-in-Aid from the QCA's sponsoring Department, DCSF. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid for 2008-09, taking into account the amounts required to meet the QCA's liabilities falling due in that year, has already been included in the Department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

QCA Board

Members of QCA's Board are appointed by the Secretary of State for Children, Schools and Families. The period of office for each member is set out in the table below.

The membership of QCA's Board is kept under review by the Nominations Committee; one of its principal functions is to plan for the succession of the membership of QCA's Board.

QCA Board	Period of office at QCA	Committee member
Chairman Sir Anthony Greener	23 October 2002 to 21 October 2008	Nominations (Chair) Remuneration
Deputy Chairman Mr Richard Greenhalgh	1 October 2003 to 30 September 2009	Nominations Remuneration (Chair)
Mr Mike Beasley	1 October 2003 to 30 September 2009	
Dr Ken Boston	18 September 2002 to 18 September 2009	
Ms Clare Chapman	1 October 2004 to 30 September 2007	
Mr Ian S Ferguson	1 October 2003 to 30 November 2008	Audit (from June 2007)
Mr Edward Gould	5 December 2002 to 31 May 2007	Audit (until May 2007)
Mrs Susan Kirkham	1 October 2003 to 30 September 2009	
Mr Ioan Morgan	1 October 2006 to 30 September 2007	
Sir James Rose	1 October 2003 to 30 September 2008	
Mr David Sherlock	1 October 2006 to 30 September 2009	Audit (from May 2007)
Mr Nick Stuart	5 December 2002 to 31 May 2010	Audit (Chair) Nominations
Sir David Watson	1 October 2003 to 30 September 2009	Remuneration
Professor Michael Arthur	1 December 2007 to 30 November 2010	
Ms Maggie Galliers	1 December 2007 to 30 November 2010	
Ms Cynthia Hall	1 June 2007 to 31 May 2010	

Each member completes a register of interests, which is available for inspection at QCA offices at 83 Piccadilly by prior arrangement during normal business hours.

The role of QCA Board members is threefold: to formulate policy advice for the Secretaries of State for Children, Schools and Families and Innovation, Universities and Skills; to provide policy direction to guide the work of staff; and to oversee the administration and work of QCA.

QCA Board has three committees. The Audit Committee deals with the development and implementation of policies for auditing, financial and management controls and risk management, and monitors the effectiveness of all levels of management in the use of QCA's resources. The Nominations Committee reviews nominations for appointment to the QCA Board. The Remuneration Committee deals with pay of the Executive and Directors, along with maintaining oversight of pay and conditions for the next tier of staff.

In addition the Board has five advisory groups to assist the work of the QCA Executive:

Advisory group	Chair
0–14	Sir James Rose
14–19	Mrs Susan Kirkham
Qualifications & Skills	Mr Ian Ferguson
Regulation & Standards	Mr Richard Greenhalgh
National Assessment Agency (NAA)	Mr Mike Beasley.

Board membership

During 2007/08, the Secretary of State for Children, Schools and Families formally confirmed the appointment of Cynthia Hall, Professor Michael Arthur and Maggie Galliers as new members of the QCA Board.

Headquarters and staff

QCA is located at 83 Piccadilly, London, W1J 8QA. It employed an average of 581 (2006-07: 565) during the period covered by this report.

Payment of creditors

QCA is fully committed to the prompt payment of its bills, and observes the CBI's 'Better Payment Practice Code'. QCA aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In the year April 2007 to March 2008, 97.8% (2006-07: 99.5%) of valid invoices were paid within 30 days of the date of the invoice.

Working cash balance

The group working balance, being the cash balance that DCSF allows to be carried forward to the following financial year, is calculated in accordance with the Financial Memorandum as a maximum of 2% of total Grant-in-Aid received from DCSF during the year. At 31 March 2008 this amounted to £3.1 million. The group balance as defined by these guidelines amounted to £1.4 million. This excludes earmarked cash held for national occupational standards development of £14.7 million. Under the terms of the Financial Memorandum with DCSF, the Department is entitled to recover any excess working balance above 2% from Grant-in-Aid for 2008-09.

Auditors

Under paragraph 18(3) to schedule 4 of the Education Act 1997, the Comptroller and Auditor General is required to examine, certify and report on the financial statements of account. The cost of the statutory audit for the year to 31 March 2008 is £41,000 (2006-07: £40,000). The financial statements for QCA (Enterprises) Limited for the year ended 31 March 2008 were audited by KPMG LLP. The fee for this audit is £16,470 (2006-07: £12,350).

So far as the Accounting Officer is aware, there is no relevant audit information of which QCA's auditors are unaware. The Accounting Officer has taken all the steps that ought to have been taken to ensure awareness of any relevant audit information and to establish that QCA's auditors are aware of that information.

Statement of QCA's and Chief Executive's responsibilities

Under paragraph 18(1) and (2) of schedule 4 of the Education Act 1997, QCA is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State for Children, Schools and Families with the consent of the Treasury. QCA accounts are prepared on an accruals basis and show a true and fair view of QCA's state of affairs at the end of the period and of its income and expenditure and cash flows for the financial period.

In preparing the accounts QCA is required to:

- observe the accounts direction issued by the Secretary of State for Children, Schools and Families, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the organisation will continue in operation.

The Accounting Officer for DCSF designates the Chief Executive of QCA as the Accounting Officer for QCA. The relevant responsibilities, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting. The Accounting Officer is required to sign the statement of accounts, including a statement on internal control.

Staff relations

To ensure that strategic and operational decisions are understood throughout the organisation, QCA is committed to communicating information as widely as possible and using a wide range of means to encourage effective two-way communication with staff.

We actively engage with the recognised trade union through regular consultation and negotiation between management and union representatives, in order to ensure the best possible staff relations. Issues covered include pay and grading, corporate initiatives and HR policies.

We believe that learning and development play a fundamental role in the success of both the individual and the organisation, and we make a significant investment in these activities. This year, expenditure amounted to £600,166, or 2.7% of total expenditure on wages and salaries (2006-07: £987,178, 4.6%). The decrease in the year reflects a reduction in this investment to a more appropriate level, in keeping with the overall efficiency target for the reduction of administrative non-programme costs throughout QCA.

QCA has a dedicated Diversity & Inclusion Programme Manager. In line with QCA's diversity strategy, during the year a single equalities scheme, setting out the QCA action plan for 'race', gender and disability equality, was published as part of a broader diversity and inclusion framework for the organisation.

Disabled people are encouraged to apply for jobs at QCA, and are offered developmental opportunities combined with practical support. We also ensure that any individuals who may become disabled during their employment are given the fullest support to maintain an appropriate role according to their experience and skills.

Health and safety training is provided to all employees. A review of health and safety policy and communication began in early 2007, with recommendations for improvement delivered later the same year. A comprehensive package of revised and updated training was rolled out to staff in the spring of 2008.

Performance assessment

We have a straightforward performance management and assessment system embedded within QCA. This links performance objectives to personal development, as part of a general strategy to ensure that managers are fully involved in the development of their staff.

Pay policy

In 2005, QCA moved to an arrangement whereby pay awards were determined by managers, within parameters agreed across the organisation. This enabled managers to reward directly achievements and positive behaviours within the team. Following a thorough review of the 2005 pay review, the process was refined and became the basis for the 2006 and 2007 reviews.

We are committed to the principle of equal pay. We conducted an Equal Pay Audit in 2007, and plan to repeat this annually.

Details of the company pension scheme and pension liabilities are disclosed in the Remuneration report on page 17 and the Accounting Policies note (i) on page 30.

Our stakeholders

QCA has a central role in England's education and training systems, and a role in Northern Ireland where we regulate National Vocational Qualifications (NVQs). We work with our stakeholders with the primary aim of ensuring benefits to the learner.

The principal external organisations with which we collaborate are:

- Department for Children, Schools and Families (DCSF)
- Department for Innovation, Universities and Skills (DIUS)
- Department for Employment and Learning (DEL) in Northern Ireland
- Department for Children, Education and Lifelong Learning and Skills (DCELLS) in Wales
- Northern Ireland Council for the Curriculum Examinations and Assessment (CCEA)
- awarding bodies
- major suppliers
- employers and industry:
 - Sector Skills Councils
 - employers
- partner bodies:
 - Learning and Skills Council (LSC)
 - Training and Development Agency (TDA) for Schools
- teacher associations
- local education authorities (LEAs)
- schools and colleges.

Freedom of Information

QCA is fully compliant with the Freedom of Information Act 2000. During the year 2007-08 we responded to 53 separate requests for information under the terms of the Act [2006-07: 55].

Environmental, social and community

During the year, QCA published its first sustainability action plan. The plan covers our commitment to sustainability in relation to the environment, our management of our people and resources, and in the policies we develop.

QCA runs a mentoring service where employees volunteer for the opportunity to be a mentor to a student at a local secondary school. This enables employees to observe first hand how their work benefits and affects schools and students, therefore making their job more relevant. The role of the mentor involves listening, advising, guiding and supporting the student about issues concerning school, home or future plans. QCA also invites employees to volunteer to become governors of their local schools, and there are opportunities for employees to visit a school with an NAA field support officer.

Organisational objectives 2007–08

QCA's organisational objectives are set out in the six key result areas (KRAs) for the year:

- KRA 1: Provide a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future; and to support that curriculum with methods of evaluation and assessment which promote learning and report achievement in learning at individual, institutional and national level
- KRA 2: Establish an integrated system of qualifications that will meet the needs of learners, employers and higher education and contribute to a successful society and economy, by better harnessing the stock of human talent
- KRA 3: Enable and safely deliver innovative assessments in schools and colleges, improving the learner experience and minimising administrative burden
- KRA 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessments effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, that standards are secure, that public confidence is sustained and that QCA acts as the public champion of the learner
- KRA 5: Develop the QCA brand: expand public understanding of the role and work of QCA, and maintain and promote our reputation among the various stakeholders (principally learners, parents, the education community, industry and employers, and Government)
- KRA 6: Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people

Performance indicators

The following performance indicators were set by DCSF for 2007-08

Funding, efficiency and performance

1. QCA manages within the agreed budget and can demonstrate increased efficiency in use of administrative costs, including reducing costs of consultancy
2. QCA remains on course to complete the move to Coventry within two years, and has robust plans in place to minimise the risks and costs of the move

Reform programmes

3. Phase one diplomas are accredited and in schools and colleges by September 2007, and criteria for phase two diplomas published by August 2007
4. The Minerva procurement is completed by August 2007, and the programme remains on course to support delivery of diplomas from September 2008
5. Functional skills pilots underway from September 2007
6. Revised A Level specifications available to centres by September 2007; First teaching of two tier GCSE mathematics without coursework September 2007
7. Key Vocational Qualifications Reform Programme milestones met
8. Secondary curriculum web platform and supporting guidance and materials available to schools in September 2007

Maintaining delivery

9. Tests delivered successfully in May 2007, with an improvement in key metrics over 2006
10. Summer exam series completed successfully with all results in by results day and a reduction in numbers of lost scripts
11. Report on qualifications efficiency work by the autumn, and impact assessments of all qualifications reforms completed on schedule
12. Assessment of the Foundation Stage Profile in all local authorities is at a secure level of consistency
13. Provision of sufficient key/basic skills tests by NAA is maintained

Cross-cutting themes

14. Implementation plans for gender and racial equality schemes to be agreed and published by 31 August 2007
15. Implementation Plan for Sustainable Development to be agreed and published by 31 October 2007

Performance management

QCA has a performance management framework. This framework bases all internal performance reporting on the major work programmes identified within the six KRAs. It provides a transparent framework through which progress can be tracked and performance monitored.

Risk management

The principal risks facing the organisation in 2007-08 related to the potential impact of separating the regulatory functions of QCA and establishing these as an independent organisation, and of relocating the organisation to Coventry, while ensuring business continuity. Further strategic risks related to managing large and complex programmes as work, such as delivery of the Diploma and the Qualifications & Credit Framework.

Risk management is integral to QCA's strategic business planning and reporting systems, and forms part of day-to-day management practice. It is integrated at the strategic, programme and operational level, ensuring that all levels of risk management support one another. Risk registers are maintained at executive, divisional, programme and project level. Led from the top down, risk management is embedded in all the normal working routines and activities of the organisation.

The Audit Committee advises the Board on the adequacy and effectiveness of QCA's risk management systems, internal controls and related practices. The Audit Committee receives regular reports on organisational risk management and reports by exception on projects and volatile risks, and also receives regular presentations from individual Directors on the management of risks in their divisions. The Board receives a report from each meeting of the Audit Committee, and also reviews and discusses all strategic risks.

Personal data related incidents

There were 2 (2006-07:0) reported personal data related incidents during the year. The theft of a laptop containing personal data and the inadvertent publication of personal pupil information on the QCA website were reported to the Department of Children, Schools and Families. The theft of the laptop was reported to the Office of the Information Commissioner.

In addition, following the year end date a further incident involving the theft of an encrypted laptop has been reported to the Office of the Information Commissioner.

Corporate developments

Organisational realignment

In September 2007 the Secretary of State for Children, Schools and Families announced that the QCA regulatory functions would become statutorily independent. These new arrangements require legislation, and therefore shadow arrangements have been put in place in the meantime, using existing legislative powers. Isabel Nisbet, formerly QCA Director of Regulation & Standards, was appointed as Acting Chief Executive, and Kathleen Tattersall as the first Chair of Ofqual, as the independent regulator is to be known. Ofqual was launched on 8 April 2008 as the new regulator of qualifications, exams and tests in England.

Relocation of QCA

As part of the DCSF commitment to implementing the recommendations of the government's Independent Review of Public Sector Relocation, led by Sir Michael Lyons, QCA will relocate from London by the end of 2009.

Following an extensive evaluation of the options, QCA submitted a detailed business case to the then DfES in September 2006. The then Secretary of State for Education and Skills approved QCA's proposal to relocate to Coventry, and in June 2007 approved the proposal made by QCA to lease an office building at Butts Road, Coventry.

A programme of work is well underway to effect the relocation while ensuring business continuity.

Efficiency review programme

QCA has agreed targets to achieve a 15% reduction in expenditure on administrative or 'back office' costs, which was achieved by the end of 2007-08. The government's future targets for public spending require the QCA to achieve a further reduction of 5% in 2008-09.

Performance review 2007–08

Key Result Area 1: Provide a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future; and to support that curriculum with methods of evaluation and assessment which promote learning and report achievement in learning at individual, institutional and national level

Secondary curriculum review

QCA consulted widely on revisions to a secondary curriculum designed to equip young people for life in the 21st century, involving thousands of people and organisations in the debate on the best way to continue to raise standards and improve the life chances of every young person.

The debate reached a broad consensus: what was needed to meet the challenges of the 21st century was a more flexible framework allowing greater personalisation, stretch and challenge. The curriculum needed to be more directly relevant to young people's lives, while retaining key areas of subject knowledge as a national entitlement.

Our final recommendations reflecting this consensus were published in June 2007 and thereafter were accepted by the Secretary of State for Children, Schools and Families. QCA published the new secondary curriculum, which will be introduced in schools in September 2008 for year 7, the year in which children turn 12, and across key stage 3 (for 12- to 14-year-olds) by 2011.

The new curriculum offers greater flexibility and coherence, with more focus on aims and skills. There is space for teachers to personalise learning to their pupils' individual needs and aspirations, focusing on what each one needs in order to progress. Each school has the opportunity to design its own curriculum to suit its own ethos and circumstances.

Supporting implementation of the new secondary curriculum

We began the work of developing guidance and support for schools in implementing the new curriculum, which will continue to be a priority over the coming three years.

An interactive website resource was set up to provide information, guidance and case studies to support schools as they design a curriculum. We held a series of regional workshops and training events, which will continue over the next year.

Primary review

QCA began working with Sir James Rose in the spring of 2008 on a fundamental review of the primary curriculum. Sir James, a member of QCA's board who conducted an inquiry into the teaching of reading in 2006, will report to the Secretary of State for Children, Schools and Families.

QCA is taking the leading role in providing the evidence for the review and in managing extensive consultation on the way forward for primary schools, as we enter the second decade of the 21st century.

Key Result Area 2: Establish an integrated system of qualifications that will meet the needs of learners, employers and higher education and contribute to a successful society and economy, by better harnessing the stock of human talent

The Qualifications and Credit Framework

QCA continued the development and trialling of the new Qualifications and Credit Framework (QCF) which will allow learners to accumulate credits for achievement of units at their own pace. These units contribute to overarching qualifications, and units will be given a level relating to the demand, and a credit value indicating the amount of time it takes to complete.

With our partners in Wales and Northern Ireland, we announced in September 2007 the results of our evaluation of the first year tests and trials, which showed widespread and enthusiastic support.

Recognising employer training

Building on high quality vocational qualifications is a critical part of the work to develop the UK's skills base. In September 2007 QCA launched a pilot project to recognise high-quality, in-house training by bringing employer training into the QCF. As a result, Network Rail, Flybe and McDonald's were recognised as QCF awarding bodies in their own right.

Two models of recognising in-house training continue to be piloted: an employer could become an awarding body in its own right, offering bespoke but recognised qualifications; or an employer could work with an awarding body that awards units and qualifications.

A levels: maintaining standards

QCA completed the reform of this world-class qualification, publishing requirements for four-unit A levels and additional 'stretch and challenge'. While maintaining the standard of qualifications, this will help to reduce the assessment burden for candidates and provide more opportunities for the highest achievers to show their abilities. As a result of the reform project, the revised AS levels will be introduced in September 2008 and the revised A2 units in September 2009.

The extended project

Work was completed on the design of the new extended project to prepare learners for the independent working skills desired by employers and universities. The project, which can be a dissertation, an artefact, an investigative report, a performance, a composition or a piece of software, will be equivalent in size to half an A level and will be a compulsory component of Advanced and Progression Diplomas.

GCSEs: further improvements

In 2007 QCA updated GCSE qualifications to ensure they are aligned to the scope and ambition of the new Diplomas. In December, following a consultation, we published the GCSE criteria, which specify that at least half of the marks should be allocated to terminal assessment, and that questions will be more varied and include those requiring extended writing.

We also introduced significant changes to coursework to ensure that work is the candidates' own. As a result, coursework will be removed in certain subjects, and assessments carried out under controlled conditions will replace coursework in a number of others.

Diplomas

Over the past year QCA developed and published teacher guidance for the first five Lines of Learning, at levels 1, 2 and 3, and will be publishing further material over the next year. The new mix of theoretical and practical learning will equip students with the skills, knowledge and understanding to go on into further and higher education or employment.

Diplomas were designed at three levels, providing a clear route of progression. High-order cognitive, thinking and problem-solving skills are inherent in this contemporary, work-based curriculum, just as they are in more traditional disciplines such as history.

QCA worked with partners to provide guides to explain the new qualifications to young people, parents, teachers and employers.

As a regulator, QCA oversaw the development of a structure for employers, schools, colleges and awarding bodies to work together to provide and award the new qualifications. In 2007 QCA drew up and published operating rules under which the awarding bodies will work.

Key Result Area 3: Enable and safely deliver innovative assessments in schools and colleges, improving the learner experience and minimising administrative burden

National curriculum tests

The National Assessment Agency (NAA), the delivery arm of QCA that is responsible for the assessments pupils take at the ages of 7, 11 and 14, developed curriculum assessments for more than 1.8 million pupils in 2007. 4.2 million test papers were delivered in 80,000 packages over a period of two weeks.

Over the last year the administration process for accommodating pupils with special educational needs was simplified and streamlined.

The NAA continued to monitor the nature and development of curriculum and assessment, through close contact with schools, including regular and frequent reference to a network of more than 1,000 schools.

In June 2007 QCA published monitoring reports on national curriculum tests. The annual monitoring report concluded that the tests continued to fulfil their purpose of measuring pupils' performance in reading, writing, mathematics and science, and that they were comparable with any similar large-scale assessment tool across the world for reliability and validity.

ICT tasks for key stage 3

A significant development over the last year was the new ICT tasks for key stage 3. These on-screen tasks are marked automatically, doing away with paper scripts. The tasks provide teachers with individual pupil and group reports to inform future teaching and learning.

Assessing Pupils' Progress

The NAA continued to pilot a project to use testing as an aid to improving individual pupil progress. This approach, known as Assessing Pupils' Progress (APP), provides a supportive, school-based assessment referenced to national standards and externally verifiable.

We produced detailed descriptions of how pupils can demonstrate their progress towards and beyond curriculum levels, which were enthusiastically welcomed by teachers involved in the pilot project as a means of helping to identify strengths and weaknesses and help pupils progress.

The NAA also developed new materials to help inform teacher assessments for key stages 1 and 2.

Single level tests

We continued the development of a more flexible model for assessing pupils' progress in English reading and writing and mathematics at key stages 2 and 3. Pilots involving more than 30,000 pupils began in September 2007, in which pupils take single level tests linked to national curriculum levels when they are ready, instead of taking longer tests at the end of a key stage. The first pilot test took place in December 2007.

The exam cycle 2007

In 2007 the NAA managed the logistics for a record number of entries for GCSE, AS and A levels: more than 26 million exam scripts and items of coursework were submitted by pupils, and marked by more than 55,000 examiners and moderators. The recruitment of examiners improved significantly and the awarding bodies had robust contingencies in place to manage any shortfalls. QCA's 'exams doctor' provided over 550 personalised answers to questions from students and parents this year.

Key Result Area 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessments effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, that standards are secure, that public confidence is sustained and that QCA acts as the public champion of the learner

Risk-based regulation

QCA moved successfully to regulating at a high level based on risk assessment. This involved less direct monitoring of areas where the system includes rigorous checks and balances, in order to concentrate on instances where the integrity of a qualification could suddenly be at risk because of the particular nature of the assessment or its newness.

2007 saw a change of emphasis in some areas to a more flexible regulatory approach, moving towards licensing organisations to participate in the qualifications market by ensuring that they are fit to do so and have the necessary will, ability and systems in place to control the quality of their offer.

We required awarding bodies to engage in self-assessment, providing evidence that their systems were working. This reduced bureaucracy and freed up time for the QCA as the regulator to concentrate on priority areas.

Reporting on awarding body performance

Although the bodies awarding general qualifications continued to demonstrate high levels of performance overall, none met the expectation for producing question papers without errors. Over the last year we looked in detail at the process for writing question papers, to identify and establish good practice. We also continued to monitor standards over time by carrying out and publishing reviews of standards in various subjects for A levels, GCSEs and vocational GCSEs.

Value for money

Examination fees are a significant expenditure for schools, and QCA requested information from the awarding bodies about changes to their pricing structures for the new A levels. We were pleased to see that, following representations from QCA, the awarding bodies published their charges for these new qualifications, a move warmly welcomed by centres. A full report on pricing for the new A levels will be published in 2008.

Equal access

QCA worked with the awarding bodies, DCSF and the regulators of external qualifications in Wales and Northern Ireland to reach an agreement on the use of oral language modifiers (previously called oral communicators) in examinations and the use of exemptions from components of general qualifications such as GCSEs and A levels.

e-Assessment

Over the last year QCA and its regulatory partners in Northern Ireland, Wales and Scotland developed a set of principles for the regulation of e-assessment. These are intended to ensure flexibility and encourage innovation while ensuring that systems are sufficiently robust to support high stakes assessment.

Key Result Area 5: Develop the QCA brand: expand public understanding of the role and work of QCA, and maintain and promote our reputation among the various stakeholders (principally learners, parents, the education community, industry and employers, and Government)

Annual review

In February 2008 we published an annual review of our activities in 2006–07. The review considered the range of QCA activity over the year. It reported on monitoring the examinations system, assessment, qualifications and the curriculum. It provided a snapshot of our work and looked forward to our future objectives.

News and media

Our press team successfully managed a number of high-profile media issues. These included the establishment of the new interim body which will regulate the exam system in summer 2008 and 2009 prior to formal statutory independence; consultation on the regulatory arrangements for the QCF; full details of the first Diplomas; publication of summer examination results in August; and launch of the new secondary curriculum.

Key Result Area 6: Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people

Legal and Corporate Affairs

The Legal and Corporate Affairs team was and continues to be at the centre of all our work to establish the independent regulator and the consequently revised functions of QCA.

In December 2007 the team published the QCA Single Equality Scheme, which sets out our corporate commitment to 'race', gender and disability equality and our proposed actions to deal with inequality, both internally and across the field of education. It indicates our desire to go further than strict legal compliance, to apply equality principles to the very core of what we do. It is the expression of our organisational commitment to make the experience of education applicable, relevant and inclusive to all learners.

Human Resources

The HR team continued to evolve in order to support staff through the considerable changes brought about by the establishment of the interim regulator and the planned relocation of the organisation to Coventry in 2009. A new contract was let to manage the significant increase in recruitment expected to the Coventry base, and a detailed HR strategy was developed to manage the relocation process.

IT and strategic systems

QCA outsourced the service management of its IT function, which will increase the overall level of service, support more flexible ways of working and ensure continuity throughout and beyond the relocation of QCA. We also consolidated our IT planning (business analysis) and building (systems development) functions within the team developing the major IT systems that are needed to deliver the Qualifications and Credit Framework (QCF) and the Diploma.

Finance

The Comptroller and Auditor General gave our accounts for 2006–07 a clear audit certificate, without qualification. We exceeded HM Treasury's target of paying 95% of suppliers within 30 days by paying 97.8% of our bills within this time frame. We also continued the upgrading of our on-line financial systems.

Looking to the future

The QCA Board has endorsed the following areas of work that QCA will focus on in 2008–09.

KRA 1: Provide a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future; and support the curriculum with methods of evaluation and assessment which promote learning and report achievement in learning at individual, institutional and national level

- Review the Primary Curriculum
- Implement the revised Secondary Curriculum through strategic partnerships
- Develop programmes and guidelines to support teachers in the assessment of pupil performance, to realise the full potential of Single Level Tests within the National Curriculum
- Improve approaches to the key stage 4 curriculum that promote personalisation, flexibility and coherence

KRA 2: Establish an integrated system of qualifications that will meet the needs of learners, employers and higher education and contribute to a successful society and economy, by better harnessing the stock of human talent.

- Following completion of development phase, implement the QCF
- Accredite new specifications for GCSEs, Applied GCEs and the remaining Diplomas
- Accredite in-company training programmes and colleges' own qualifications within the QCF
- Pilot, evaluate and roll out Functional Skills qualifications for inclusion in the QCF

KRA 3: Enable and safely deliver innovative assessments in schools and colleges, improving the learner experience and minimising administrative burden.

- Enable and safely deliver National Curriculum Tests
- Safely deliver the national logistics and marking of GCSEs and GCEs
- Deliver a successful pilot of Single Level Tests
- Develop and deliver Key and Basic Skills tests to awarding bodies

KRA 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessments effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, that standards are secure, that public confidence is sustained and that QCA acts as the public champion of the learner.

- Establish Ofqual as an operationally independent regulator
- Maintain standards in existing, new and revised qualifications and tests
- Secure an effective and efficient qualifications market
- Promote and sustain confidence in the regulated system

KRA 5: Develop the QCA brand: expand public understanding of the work of QCA, and maintain and promote our reputation among the various stakeholders (principally learners, parents, the education community, industry and employers, and Government).

- Deliver proactive corporate communications that build QCA's reputation with our stakeholders
- Advise, support, develop and service the communications requirements of the policy divisions to deliver our programmes of work
- Provide an effective communications infrastructure for the organisation

KRA 6: Develop systems and internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people.

- Provide business analysis and system development resources to the organisation
- Maintain and ensure compliance with finance, procurement, payroll and governance procedures that effectively support the aim of reducing cost
- Develop and implement equalities strategies and policies that are legally compliant and aim for best practice in all aspects of our work
- Relocate the QCA to the West Midlands to the agreed timeframe, whilst maintaining service delivery

Ken Boston

Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

18 June 2008

Remuneration report

a) Unaudited information

The remit of the Remuneration Committee, as described on page 5, is to agree pay and conditions for the Chief Executive with reference to the recommendations of the Senior Salaries Review Body; to agree pay awards, bonuses, benefits, severance packages and pension arrangements for the posts reporting to the Chief Executive; and to maintain oversight of pay and conditions for the next tier of staff.

Members of the Remuneration Committee are:

Richard Greenhalgh (Chair)
Sir Anthony Greener
Sir David Watson
Clare Chapman (advisor)
Ken Boston (ex officio)

The Committee regularly reviews the remuneration and benefits of senior managers by comparison with similar NDPBs and with related organisations in the field of education.

The remuneration of senior managers comprises basic pay plus an annual performance-related bonus of up to 15% of basic salary. Basic pay is reviewed annually to reflect the value of the employee's contribution in the preceding year. All increases in basic pay are performance related. Bonus objectives are set at the start of the financial year by way of a Performance Agreement between the individual senior manager and QCA. Individual objectives reflect performance levels required to achieve QCA's organisational objectives, KRAs (see Aims & Objectives, page 8). Bonuses are awarded at the end of the financial year based on the degree to which senior managers have successfully met their objectives.

All senior managers are employed on permanent employment contracts, with a notice period of three months and no senior manager is employed on a service contract. During the year compensation payments amounting to £68,727 were paid to a former senior manager upon leaving QCA as part of the Efficiency Programme.

b) Audited information

Remuneration of the Chief Executive and the Executive

Figures in brackets refer to 2006-07 and a total accrued pension at 60 at 31 March 2007:

Name	Annualised salary	Salary paid	Benefits in Kind (to nearest £100)	Real increase in pension at 60 and related lump sum £'000s	Total accrued pension at 60 and related lump sum £'000s	CETV at 31/03/07	CETV at 31/03/08	Real increase in CETV
	£'000s (a)	£'000s (b)				£'000s (c)	£'000s (d)	£'000s (e)
2007-08								
Ken Boston ₁ Chief Executive	175 - 180 (190 - 195)	175 - 180 (190 - 195)	153,900 (94,400)	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	160	203	32 (34)
Carol Copland Director, Legal & Corporate Affairs	100 - 105 (90 - 95)	100 - 105 (50 - 55)	0 0	0 - 2.5	5 - 10	41	73	21
Mary Curnock Cook Director, Qualification & Skills	140 - 145 (125 - 130)	140 - 145 (125 - 130)	0 0	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	91	137	27 (22)

David Gee Managing Director, NAA	150 - 155 (185 - 190)	150 - 155 (185 - 190)	0 0	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	109	157	28 (24)
Andrew Hall, Director Strategic Resources Management	140 - 145 (120 - 125)	140 - 145 (60 - 65)	43,400 (34,900)	0 - 2.5	0 - 5	14	47	27
Isabel Nisbet, Director, Regulations & Standards	125 - 130 (120 - 125)	140 - 145 (120 - 125)	3,100 (0)	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	57	106	37 (28)
David Robinson Director, Communications & Marketing	100 - 105 (95 - 100)	100 - 105 (95 - 100)	0 0	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	94	137	26 (19)
Mick Waters Director, Curriculum	140 - 145 (120 - 125)	140 - 145 (120 - 125)	0 0	0 - 2.5 (0 - 2.5)	5 - 10 (5 - 10)	63	109	35 (30)

1. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The only benefits in kind were received by Ken Boston, amounting to £153,873 (2006-07: £94,386) for the provision of living accommodation and international air travel, Andrew Hall, amounting to £43,399, (2006-07: £34,911) for the provision of living accommodation and Isabel Nisbet, £3,140 for the provision of living accommodation.

Ken Boston's 2005-06 bonus was paid in 2006-07 and was reflected in his salary for that year.

2. Pension information is not provided for members with less than one year's service.

(a) Annualised salary excludes relocation costs for the period.

(b) Salary includes gross salary; performance pay or bonuses; compensation and redundancy; reserved rights to London weighting; additional housing cost allowances and relocation costs for the period.

(c) - (e) Pension

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The Real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Due to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final CETV for 2006-07 and the start of period CETV for 2007-08.

Remuneration of the Chairman and other Board members

The Board consists of up to 13 members. A list of the current Board members can be found on page 4. With the exception of the Chief Executive (ex officio member), members are appointed for a term of up to three years by the Secretary of State for Children, Schools and Families.

Members (other than the Chief Executive) are reimbursed only for expenses incurred. During the year a total of £5,482 (2006-07: £3,156) was reimbursed to 11 members.

Ken Boston

Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

18 June 2008

Financial Statements for the year ended 31 March 2008

Statement by the Chief Executive on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the QCA policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible. These responsibilities are assigned to me in Government Accounting.

QCA's objectives are linked to several of the DCSF Public Service Agreement (PSA) targets through its work on tests and examinations, qualifications and skills, as well as its regulatory work. I, and my Chairman, have regular meetings with DCSF and DIUS Ministers at which we discuss any risks that could affect the delivery of these objectives. A protocol for strategic and operational planning is also in place with DCSF that ensures there is formal agreement of objectives and funding, and that appropriate risk management is in place before new work is accepted.

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of QCA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in QCA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

QCA's strategic risks are derived from its six key result areas (KRAs) that set out the organisational goals of the QCA. As part of QCA's Risk Management Framework all members of the Executive and QCA's Senior Management Team provide assurance that the strategic risks and programme risks allocated to them have been managed in accordance with QCA's Risk Management Framework and within QCA's risk appetite, as set out by a series of tolerances approved by the QCA Board.

A risk management competency is incorporated into all job descriptions for programme and project managers. A risk management training module, as part of QCA's corporate training package, is offered to all staff, and is based on the information provided in QCA's Risk Management Framework documentation.

Standardised and quantitative criteria ensure consistent assessment and reporting of risk throughout the organisation.

A number of QCA's major programmes of work have been subject to the OGC Gateway Review Process. All Gateway Reviews, including the progress on implementing the recommendations arising from the Reviews, are reported to the QCA Audit Committee.

The risk and control framework

Programme risks that exceed a pre-determined tolerance are reviewed by my Executive and, if appropriate, escalated to the QCA Board. The QCA Executive also reviews QCA strategic risks, and all strategic risks are reported to the QCA Board.

The Board has published to the organisation its internal *Statement of Risk Appetite*.

Risk management is handled primarily at divisional level through the maintenance of programme and project risk registers. Divisional Directors have completed an end-of-year statement on internal control that confirms their compliance with QCA policies on risk management, finance and governance, and with the requirements set out in the risk management framework and government accounting procedures.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors; QCA Directors; the QCA Legal and Corporate Affairs team, which has responsibility for the development and maintenance of the internal control framework; and by comments made by the external auditors in their management letter and other reports.

The Board and the Audit Committee have advised me on the effectiveness of the system of internal control.

The Board approves the Executive risk register at the beginning of the year, and monitors it throughout the course of the year. The Board also receives an annual report from the Audit Committee.

The role of the Audit Committee is to advise the Board on the adequacy and effectiveness of QCA's risk management systems, internal controls and related practices. The Committee receives as a standing item at each meeting a risk management update and reports by exception on progress on projects and growing risks. The Audit Committee also receives regular presentations from individual Directors on the management of the risks in their divisions. The Chairman of the Audit Committee reports to the Board following each Committee meeting, giving him an opportunity to alert the Board to any issues causing concern. Risk management is effective and well-embedded into the organisation.

The QCA Internal Auditors have completed an audit plan driven by the Executive risks, as agreed by the Audit Committee. The Audit Committee considers reports on each audit as well as the Internal Auditors' annual report on the effectiveness of the overall system of internal control; internal audit offered a moderate assurance rating on the design adequacy and effectiveness of QCA's system of internal control.

Last year, I identified three internal control issues:

A consolidated IT strategy, which has strengthened QCA's strategic management of the interdependencies of IT components and general controls in all major programmes of work, has been implemented.

The process for seeking approval of special payments has been formalised, and staff have been alerted to the need to forewarn our Finance team of any emerging circumstances which may warrant any such payment. Only one special payment has been made this year, and QCA fully complied with the process for obtaining prior approval from HM Treasury.

An internal audit found growing evidence of good contract management and procurement practice across the organisation. Work will continue to strengthen further the control environment for contract management.

Internal control issues

The system of internal control in QCA is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

My attention has been drawn to some weaknesses in internal controls, and I have put arrangements in place to address these.

The need for careful management of confidential data has been emphasised by a series of high-profile incidents across the public sector this year. In January we acted promptly on instructions from DCSF to ban the use of unencrypted laptops or drives containing personal data outside secured office premises, and arranged for encryption of all QCA laptops. I recognise the need to continue strengthening the control of information, particularly personal data, and to provide regular assurance that these controls are effective. We shall provide appropriate support and guidance to staff, and shall keep QCA information security policies under review. We will continue to work closely with our Sponsor Team in DCSF to ensure QCA operates in line with Cabinet Office guidance and reports on our management of data security in the prescribed way. Our security, data protection and IT managers will keep in regular contact with the Department's Chief Information Officer Group—both to cooperate in the collation of data and to help disseminate and implement best practice.

In the course of the year, having recognised that there were issues to be addressed, we arranged an internal audit of our Human Resource function as a means of ensuring we have a strong foundation on which to build the additional services needed to support the relocation of QCA to Coventry. As a result of this we are strengthening our controls to ensure compliance with our recruitment policies, including the application of Criminal Records Bureau checks where necessary, and the provision of robust management information.

During the year we also reviewed our business continuity and disaster recovery plans, with a view to consolidating them as one overarching plan, which will strengthen QCA's corporate management in the event of a disaster, and ensure our programmes of work would continue to be delivered. Consolidation of the plan is well underway, and it will be further developed, tested and implemented in Spring 2008.

The interpretation of HM Treasury guidance on 'Expenditure on Non-Pay Rewards' has been discussed with DCSF officials in the light of an instance of expenditure (of approximately £25,000) that was highlighted by the NAO in the course of their audit work. Drawing on advice and interpretation from the DCSF, existing guidance to QCA staff has now been revised and re-issued in order to emphasise a strict and consistent application of the guidance.

Ken Boston

Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

18 June 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Qualifications and Curriculum Authority and the Qualifications and Curriculum Authority Group for the year ended 31 March 2008 under the Education Act 1997. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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 being audited.

Respective responsibilities of the Qualifications and Curriculum Authority, Accounting Officer and auditor

The Qualifications and Curriculum Authority and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Education Act 1997 and the Secretary of State for Children, Schools and Families' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting 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).

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 Act 1997 and the Secretary of State for Children, Schools and Families' directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Qualifications and Curriculum Authority 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control on pages 20 to 22 reflects the Qualifications and Curriculum Authority's compliance with HM Treasury's guidance, and I report if 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 Qualifications and Curriculum Authority'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. 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 opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions 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 judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Qualifications and Curriculum Authority'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 income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. 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.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Children, Schools and Families, of the state of the Qualifications and Curriculum Authority's and the Qualifications and Curriculum Authority Group's affairs as at 31 March 2008 and of its net expenditure 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 Act 1997 and the Secretary of State for Children, Schools and Families' directions made thereunder; and
- information given within the Annual Report, which comprises the Management Commentary and the Remuneration Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
Date: 24 June 2008

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2008	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Gross income					
Grant Income	2	414	414	426	426
Other operating income	3	<u>12,710</u>	<u>15,169</u>	<u>12,646</u>	<u>15,486</u>
		13,124	15,583	13,072	15,912
Operating expenditure					
Staff costs	4b	(33,749)	(33,749)	(31,520)	(31,520)
Other operating charges	5	(14,235)	(16,706)	(10,653)	(13,499)
Programme expenditure	6	(119,664)	(119,664)	(108,669)	(108,669)
Depreciation and amortisation	7	<u>(823)</u>	<u>(823)</u>	<u>(946)</u>	<u>(946)</u>
		(168,471)	(170,942)	(151,788)	(154,634)
Net expenditure		<u>(155,347)</u>	<u>(155,359)</u>	<u>(138,716)</u>	<u>(138,722)</u>
Relocation and Redundancy costs	11	<u>(15,990)</u>	<u>(15,990)</u>	<u>(13,927)</u>	<u>(13,927)</u>
Net expenditure after exceptional items		(171,337)	(171,349)	(152,643)	(152,649)
Add cost of capital	1j	831	829	445	444
Loss on disposal of fixed assets		(1)	(1)	(2)	(2)
Interest receivable		<u>886</u>	<u>898</u>	<u>583</u>	<u>589</u>
Net expenditure on ordinary activities		(169,621)	(169,623)	(151,617)	(151,618)
Deduct cost of capital		(831)	(829)	(445)	(444)
Net expenditure for the financial year		<u><u>(170,452)</u></u>	<u><u>(170,452)</u></u>	<u><u>(152,062)</u></u>	<u><u>(152,062)</u></u>

All of the above results derive from continuing operations.

The notes on pages 29 to 45 form part of these accounts.

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**STATEMENT OF GAINS AND LOSSES****For the year ended 31 March 2008**

	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		QCA	Group	QCA	Group
		£'000	£'000	£'000	£'000
Unrealised surplus on the revaluation of fixed assets	12b	<u>3</u>	<u>3</u>	<u>37</u>	<u>37</u>

The notes on pages 29 to 45 form part of these accounts.

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY

BALANCE SHEET

As at 31 March 2008

	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Fixed assets					
Intangible assets	7a	4,240	4,240	130	130
Tangible assets	7b	<u>1,971</u>	<u>1,971</u>	<u>2,317</u>	<u>2,317</u>
		6,211	6,211	2,447	2,447
Current assets					
Stock		-	282	-	344
Debtors	8	3,866	4,916	5,501	6,283
Cash at Bank and in hand	9	<u>15,936</u>	<u>16,098</u>	<u>17,322</u>	<u>17,741</u>
		19,802	21,296	22,823	24,368
Current liabilities					
Creditors: amounts falling due within one year	10	<u>(22,706)</u>	<u>(24,170)</u>	<u>(22,911)</u>	<u>(24,426)</u>
Net Current Liabilities		<u>(2,904)</u>	<u>(2,874)</u>	<u>(88)</u>	<u>(58)</u>
Total assets less current liabilities		3,307	3,337	2,359	2,389
Provisions for liabilities and charges	11	<u>(32,578)</u>	<u>(32,578)</u>	<u>(18,552)</u>	<u>(18,552)</u>
Total assets less total liabilities		<u><u>(29,271)</u></u>	<u><u>(29,241)</u></u>	<u><u>(16,193)</u></u>	<u><u>(16,163)</u></u>
Financed by					
Capital and reserves					
Vocational Standards' Development Reserve	12a	15,204	15,204	17,108	17,108
General Reserves	12b	<u>(44,475)</u>	<u>(44,445)</u>	<u>(33,301)</u>	<u>(33,271)</u>
		<u><u>(29,271)</u></u>	<u><u>(29,241)</u></u>	<u><u>(16,193)</u></u>	<u><u>(16,163)</u></u>

The notes on pages 29 to 45 form part of these accounts.

Ken Boston
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

18 June 2008

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**CASH FLOW STATEMENT**

For the year ended 31 March 2008	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Operating activities					
Grant received		414	414	426	426
Receipts from sales by subsidiary		-	8,271	-	8,015
Other cash received		8,047	8,047	9,159	7,979
		<u>8,461</u>	<u>16,732</u>	<u>9,585</u>	<u>16,420</u>
Cash paid to suppliers		(136,295)	(138,745)	(125,330)	(128,423)
Cash paid to and on behalf of employees		<u>(33,313)</u>	<u>(33,312)</u>	<u>(30,918)</u>	<u>(30,957)</u>
		<u>(169,608)</u>	<u>(172,057)</u>	<u>(156,248)</u>	<u>(159,380)</u>
Net cash outflow from operating activities		(161,147)	(155,325)	(146,663)	(142,960)
Returns on investment and servicing of finance					
Interest received		886	898	583	589
Gross payover received from subsidiary		6,091	-	3,538	-
Capital Expenditure and financial investment					
Payments to acquire tangible fixed assets	7	(350)	(350)	(247)	(247)
Payments to acquire intangible fixed assets	7	(4,238)	(4,238)	(8)	(8)
Receipts from sale of tangible fixed assets		1	1	11	11
		<u>(4,587)</u>	<u>(4,587)</u>	<u>(244)</u>	<u>(244)</u>
Financing					
Transfer of Grant-in-Aid		<u>157,371</u>	<u>157,371</u>	<u>144,046</u>	<u>144,046</u>
(Decrease)/Increase in Cash		<u>(1,386)</u>	<u>(1,643)</u>	<u>1,260</u>	<u>1,431</u>

The prior year comparative figures have been re-stated to ensure consistency with the 2008 figures.

The notes on pages 29 to 45 form part of these accounts.

THE QUALIFICATIONS AND CURRICULUM AUTHORITY

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting Conventions

Basis of preparation

The accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Education and Skills on 26 June 2002. The accounts are prepared under the historical cost convention, modified to include revaluations of tangible fixed assets to reflect current values (without limiting the information provided within these accounts, and subject only to compliance with the requirements set out in the Accounts Direction). The accounts also comply with the Companies Act 1985 and applicable accounting standards issued or adopted by the Accounting Standards Board except where HM Treasury has issued alternative guidance.

Subsidiary undertaking

QCA (Enterprises) Limited is a wholly owned subsidiary of QCA. Its principal activity is the sale of QCA publications and products. The consolidated accounts include the operating results of QCA (Enterprises) Ltd, on an acquisition accounting basis.

b) Income

Grant-in-Aid from the Department for Children, Schools and Families

All Grant-in-Aid (GIA) from the Department for Children, Schools and Families is treated as financing as it is a contribution from a controlling party used to finance activities and expenditure which support the statutory and other objectives of QCA. It is recorded as financing in the cash flow statement and credited to General Reserves.

Grant Income

Grant Income is received from the Department of Employment and Learning (Northern Ireland) for funding the QCA office located in Northern Ireland. Grant for current activities is credited to the Income & Expenditure account in the year of receipt.

Other income

All other income is accounted for on an accruals basis.

The turnover of QCA (Enterprises) Limited is stated net of value added tax and trade discounts.

c) Expenditure

Expenditure is accounted for in the period to which it relates. Expenditure is stated net of recoverable VAT. Where VAT is irrecoverable expenditure is stated gross.

d) NVQ certification income

QCA receives income from awarding bodies in respect of the certification of NVQs. Information on the number of certificates awarded is received, and assurance is taken, in the following quarter to which it relates. Levy income raised under S36(3) of the Education Act 1997 is spent on developing national occupational standards and is disclosed separately in the accounts.

e) Fixed assets**(i) Tangible fixed assets**

Expenditure on the acquisition of fixed assets is capitalised at cost where the cost for an individual asset is in excess of £1,000. Certain items whose collective cost exceeded the capitalisation threshold (£1,000) have been included in the fixed asset register as grouped assets.

Fixed assets are stated at modified historic cost less depreciation. Assets are revalued annually using relevant indices provided by the Office for National Statistics. Where an asset's value is increased as a result of revaluation, the increase is credited to General Reserves. Where an asset is impaired as a result of downward revaluation the charge is taken to the Income and Expenditure account.

Depreciation is provided on a straight-line basis over the following periods:

Refurbishment	length of lease
Furniture	7 years
Office equipment	4 years
Motor vehicles	4 years
Information technology	3 years

A full year's depreciation charge is provided for in the year of acquisition and none in the year of disposal for all assets.

(ii) Intangible fixed assets

Intangible fixed assets comprise Systems Development work in progress and purchased software licences. Systems development work in progress is stated at cost and will not be amortised until completion. Software licences are stated at modified historic cost less amortisation on a straight line basis over three years and are revalued annually on the same basis as tangible fixed assets.

f) Stock

Stock is valued at the lower of cost and net realisable value.

g) Taxation

QCA is an exempt charity and has under the Income and Corporation Taxes Act 1980 obtained exemption from taxes on surplus arising from its charitable objectives.

h) Value Added Tax

QCA and QCA (Enterprises) Ltd are registered as a group for the purposes of Value Added Tax, registration no. 706 7645 21.

i) Pension contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. QCA is unable to identify its share of the underlying assets and liabilities. The scheme's Actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £4,230,845 were payable to the PCSPS (2006-07 £4,068,465) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2006-07 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same (The rates will be changing with effect from April 2009).

The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £47,435 (£29,283) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,540 (2006-07 £2,911), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2006-07 £nil). Contributions prepaid at that date were £nil (2006-07 £nil).

j) Notional costs

The notional cost of capital is designed to show the opportunity cost of funding the net assets needed to provide a particular service. It is a non-cash charge shown on the Income & Expenditure account. QCA is in the position of having a credit charge on the Income & Expenditure account. This is because instead of showing overall net assets on its balance sheet QCA has overall net liabilities due to its provisions for Relocation, Rent and Annual Compensation Payments as detailed in note 11 to the accounts.

Cost of capital is charged to the Income & Expenditure Account at the prescribed rate of the capital employed and credited back to the retained surplus at the end of the period at the rate of 3.5% (2006-07: 3.5%). Capital employed comprises the average of total assets less current liabilities at the beginning and the end of the financial year, excluding non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England.

k) Foreign currency transactions

QCA has dealings in Euros, and holds a Euro account to hedge against significant fluctuations in exchange rates. Transactions denominated in foreign currencies are translated into their sterling equivalent at the rate ruling on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the rate of exchange ruling at that date.

l) Liquid resources

FRS 13 (Financial Instruments and Derivatives) requires organisations to disclose information on the possible impact of financial instruments on its risk profile, and how these risks might affect the organisation's performance and financial condition. As an NDPB funded by DCSF and DIUS, QCA can confirm that it is not exposed to any liquidity or interest rate risks.

m) Going concern

Parliament has voted Grant-in-Aid to QCA for the 12 months following the balance sheet date. Therefore, despite the balance sheet position of net liabilities, after excluding the restricted funds for national occupational standards, QCA operates as a going concern.

2. GRANT INCOME

Grant income was received from the Department for Employment and Learning (Northern Ireland) of £413,988 (2006-07: £426,202) for funding the QCA office located in Northern Ireland. Note 23 provides details of the expenditure of the QCA Northern Ireland Office.

3. OTHER OPERATING INCOME

	Year ended		Year ended	
	31 March 2008		31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
NVQ/SVQ certification income	6,757	6,757	6,023	6,023
Department for Children, Education, Lifelong Learning & Skills for Wales	348	348	372	372
Northern Ireland Council for the Curriculum Examinations and Assessment	394	394	385	385
Contract Income	152	152	127	127
Other Income	899	564	1,785	564
Gross Income transferred from QCA(E) Limited under gift aid (3a)	3,806	-	3,620	-
Management and support services recharge to QCA(E) Limited	354	-	334	-
QCA(E) Limited gross turnover	-	6,954	-	8,015
	<u>12,710</u>	<u>15,169</u>	<u>12,646</u>	<u>15,486</u>

a) Trading Activities

QCA (Enterprises) Ltd is a wholly owned trading subsidiary of QCA selling QCA publications and products. The company transferred £3,805,794 (2006-07: £3,620,297) under gift aid to QCA.

	Year ended	Year ended
	31 March 2008	31 March 2007
	£'000	£'000
Income (including interest receivable)	6,967	8,021
Costs	<u>(3,161)</u>	<u>(4,401)</u>
Surplus	<u>3,806</u>	<u>3,620</u>

This analysis conforms to HM Treasury's Fees and Charges Guide and is not intended to comply with SSAP25 Segmental Reporting.

4. EMPLOYEES**a) Employees**

The average number of persons employed during the period was:

	Year ended 31 March 2008			Total	Year ended
	Staff	QCA & Group			31 March 2007
		Senior Staff	Agency		QCA & Group
No.	No.	No.	No.	No.	
Communications & Marketing	43	1	8	52	45
Curriculum	58	1	10	69	72
NAA	120	1	27	148	156
Qualifications & Skills	95	1	11	107	91
Regulation & Standards	81	1	4	86	82
Strategic Resource Management & Corporate	93	3	23	119	117
Other	-	-	-	-	2
	<u>490</u>	<u>8</u>	<u>83</u>	<u>581</u>	<u>565</u>

Analysis for year ended 31 March 2007 has been re-stated to reflect changes to organisational programme structure.

QCA (Enterprises) Ltd had no employees during the period.

b) Staff costs (for the above)

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Wages and salaries	22,383	21,515
Social security costs	2,068	2,001
Pension costs	4,247	4,059
Agency/contract staff and secondment costs	<u>5,051</u>	<u>3,945</u>
	<u><u>33,749</u></u>	<u><u>31,520</u></u>

5. OTHER OPERATING CHARGES

	Year ended		Year ended	
	31 March 2008		31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
Travel and subsistence	1,169	1,169	838	838
Authority expenses	6	6	3	3
Operating leases - plant and machinery	50	50	50	50
Operating leases - other	4,439	4,439	3,919	3,919
Repairs and renewals provision	(486)	(486)	(2,118)	(2,118)
Other accommodation costs	1,334	1,334	1,217	1,217
Supplies and services	5,444	5,444	3,789	3,789
Professional services and training	2,149	2,154	2,682	2,704
External audit fees	41	58	40	55
Diminution in value of fixed assets	2	2	19	19
(Gain)/Loss on foreign currency	(16)	(16)	12	12
Other charges	103	2,552	202	3,011
	<u>14,235</u>	<u>16,706</u>	<u>10,653</u>	<u>13,499</u>

The external auditors of QCA (Enterprises) Limited received £850 for taxation services. Included in the above charges is unwinding of discount for annual compensation payment of £52,204 (2006-07: £107,982).

6. ANALYSIS OF COSTS BY PROGRAMME

QCA's business plan for the year to 31 March 2008 was the basis for the Chief Executive's Performance Agreement, which was divided into Key Result Areas (KRAs) as follows:

	Year ended 31 March 2008 QCA £'000	Year ended 31 March 2007 QCA £'000
KRA 1 Provide a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future; and to support that curriculum with methods of evaluation and assessment which promote learning and report achievement in learning at individual, institutional and national level	8,707	5,009
KRA 2 Establish an integrated system of qualifications that will meet the needs of learners, employers and higher education and contribute to a successful society and economy, by better harnessing experience and minimising administrative burden	23,080	14,902
KRA 3 Enable and safely deliver innovative assessments in schools and colleges, improving the learner experience and minimising administrative burden	77,258	77,634
KRA 4 Regulate awarding bodies, qualifications, examinations and National Curriculum assessments effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, that standards are secure, that public confidence is sustained and that QCA acts as the public champion of the learner	1,763	1,281
KRA 5 Develop the QCA brand: expand public understanding of the role and work of QCA, and maintain and promote our reputation among the various stakeholders (principally learners, parents, the education community, industry and employers and Government)	1,150	1,297
KRA 6 Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people	7,706	8,546
Total QCA Programmes	119,664	108,669

Analysis for the year ended 31 March 2007 has been re-stated to reflect changes to organisational programme structure.

Included in the above charges are consultant fees totalling £16,313,044 (2006-07: £6,279,673).

7. FIXED ASSETS**a) INTANGIBLE FIXED ASSETS**

Cost or valuation	Systems Development £'000	Computer Software £'000	Total £'000
As at 31 March 2007	-	494	494
Additions	4,238	-	4,238
Permanent diminution	-	-	-
As at 31 March 2008	<u>4,238</u>	<u>494</u>	<u>4,732</u>
Amortisation			
As at 31 March 2007	-	(364)	(364)
Charge for the year	-	(128)	(128)
Revaluation	-	-	-
As at 31 March 2008	<u>-</u>	<u>(492)</u>	<u>(492)</u>
Net book value			
As at 31 March 2008	<u>4,238</u>	<u>2</u>	<u>4,240</u>
As at 31 March 2007	<u>-</u>	<u>130</u>	<u>130</u>

The computer software relates to software licences and are valued at cost. Systems Development relates to costs incurred to date on the Minerva programme, a project to build the diploma aggregation service (DAS) which will support the introduction of the Diploma in England in September 2008. Costs capitalised relate directly to the development of DAS since it became established as a viable project.

b) TANGIBLE FIXED ASSETS

Cost or valuation	Office Equipment £'000	Furniture £'000	Refurbish- ment £'000	Information Technology £'000	Total £'000
As at 31 March 2007	200	1,594	4,818	3,326	9,938
Additions	19	-	9	322	350
Disposals	(1)	(1)	-	(280)	(282)
Revaluation surplus in the year	-	2	3	-	5
Permanent diminution	-	-	-	(5)	(5)
As at 31 March 2008	<u>218</u>	<u>1,595</u>	<u>4,830</u>	<u>3,363</u>	<u>10,006</u>
Depreciation					
As at 31 March 2007	(196)	(1,501)	(2,768)	(3,156)	(7,621)
Charge for the year	(6)	(41)	(408)	(240)	(695)
Revaluation	-	(1)	(1)	3	1
Disposals	1	1	-	278	280
As at 31 March 2008	<u>(201)</u>	<u>(1,542)</u>	<u>(3,177)</u>	<u>(3,115)</u>	<u>(8,035)</u>
Net book value					
As at 31 March 2008	<u>17</u>	<u>53</u>	<u>1,653</u>	<u>248</u>	<u>1,971</u>
As at 31 March 2007	<u>4</u>	<u>93</u>	<u>2,050</u>	<u>170</u>	<u>2,317</u>

QCA (Enterprises) Limited held no fixed assets during the year.

8. DEBTORS

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	1,255	3,553	1,528	5,183
Amount receivable from subsidiary undertaking	1,635	-	3,231	-
Other debtors	631	788	209	460
Prepayments and accrued income	344	574	521	628
	<u>3,865</u>	<u>4,915</u>	<u>5,489</u>	<u>6,271</u>
Amounts falling due after one year				
Prepayments and accrued income	1	1	12	12
Total	<u>3,866</u>	<u>4,916</u>	<u>5,501</u>	<u>6,283</u>

As at 31 March 2008, 13 (2006-07: 15) members of staff had loans outstanding in excess of £2,500. The total value of these loans was £39,215 (2006-07: £47,116).

As at 31 March 2008, 5 (2006-07: 14) balances were outstanding with other government bodies:

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Other central government bodies	25	448
Local authorities	1	1
Balances with bodies external to the government	4,890	5,834
Total	<u>4,916</u>	<u>6,283</u>

9. CASH AT BANK AND IN HAND

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
Office of Paymaster General	1,228	1,229	829	1,248
Interest bearing	-	161	-	-
Vocational Standards' Development	14,708	14,708	16,493	16,493
Total	<u>15,936</u>	<u>16,098</u>	<u>17,322</u>	<u>17,741</u>

QCA has a separate bank account for national occupational standards development. A separate reserve is disclosed in Note 12.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
Trade creditors	14,556	15,977	13,305	14,757
Taxation and social security costs	-	-	604	601
Other creditors	-	43	1	67
Accruals and deferred income	8,150	8,150	9,001	9,001
	<u>22,706</u>	<u>24,170</u>	<u>22,911</u>	<u>24,426</u>

As at 31 March 2008, 19 (2006-07: 13) balances were outstanding with other government bodies:

	Year ended 31 March 2008	Year ended 31 March 2007
	QCA & Group £'000	QCA & Group £'000
Other central government bodies	2,250	1,261
Local authorities	12	136
Balances with bodies external to the government	21,908	23,029
Total	<u>24,170</u>	<u>24,426</u>

11. PROVISIONS

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
i) Annual Compensation Payments		
Opening balance	1,744	1,332
Additional charge during the year	139	798
Unwinding of discount	52	108
Provision utilised during the year	<u>(538)</u>	<u>(494)</u>
Closing balance	<u>1,397</u>	<u>1,744</u>
ii) Building Maintenance		
Opening balance	489	2,655
Provision not required written back	(486)	(2,118)
Provision utilised during the year	<u>(3)</u>	<u>(48)</u>
Closing balance	<u>-</u>	<u>489</u>
iii) Efficiency Programme - Redundancy		
Opening balance	1,172	9,228
Provision not required written back	(44)	(1,220)
Provision utilised during the year	<u>(1,128)</u>	<u>(6,836)</u>
Closing balance	<u>-</u>	<u>1,172</u>
iv) Relocation Programme - Redundancy		
Opening balance	15,147	-
Charge during the year	<u>335</u>	<u>15,147</u>
Closing balance	<u>15,482</u>	<u>15,147</u>
v) Rent – 83 Piccadilly, London W1J		
Opening balance	-	-
Charge during the year	<u>15,699</u>	<u>-</u>
Closing balance	<u>15,699</u>	<u>-</u>
Total Closing Balance	<u><u>32,578</u></u>	<u><u>18,552</u></u>

Annual Compensation Payments

The provision for annual compensation payments recognises amounts in lieu of pension payments due to former employees, aged over 50, who took compulsory early retirement. The provision has been discounted at 2.2% to reflect the real cost of the present value.

Building Maintenance

The provision for building maintenance for 2006-07 recognised costs for repairs and renewals required by the lease for the Piccadilly premises which were then carried out during 2007-08.

Efficiency Programme – Redundancy

The provision for redundancy arising from the efficiency programme was created at the end of 2005-06 to fund the programme of significant downsizing announced in February 2006. The provision at the end of 2006-07 represented outstanding residual elements of the programme, which was completed during 2007-08.

Relocation Programme – Redundancy

The provision for redundancy was created in 2006-07 following confirmation of the decision that QCA will relocate to Coventry during 2009. The QCA was specifically named as part of DfES commitment to the Cabinet Office, in implementing the recommendations of the government's independent Review of Public Sector Relocation, led by Sir Michael Lyons, to relocating 800 jobs from London and the South-East by 2010. The provision has been updated to reflect current staff and their entitlements under the Civil Service Compensation Scheme as at 31st March 2008. This includes compensatory lump sums and amounts due in lieu of pension payments, and is based on current compulsory redundancy terms. It reflects the latest indicative surveys relating to staff intentions not to relocate, and is based on service up to 30th September 2009 discounted back to 31st March 2008. The movement in the provision during the financial year 2007-08 has been reflected as an exceptional item in the income and expenditure account.

Rent – 83 Piccadilly, London W1J

The provision for rent relating to the current QCA London office has been created following progress on the programme to relocate the QCA to Coventry during 2009 [see Relocation Programme – Redundancy note for background details relating to the relocation programme]. The provision reflects the latest independent expert advice on the likely movement in the London property market and thus the probability of sub-letting 83 Piccadilly office space following QCA vacating the property on 31st December 2009, up to the end of the current contracted lease period on 31st December 2012. The provision is based on the QCA estimated rent liability for the 3-year period January 2010 to December 2012, which is currently subject to an outstanding rent review as at 1st January 2008, less up-to-date independent expert advice on potential rental income for the period. The independent expert advice reflects not only the potential market conditions that may apply at that time, but also the relatively short period available for sub-let. The provision has been reflected as an exceptional item in the income and expenditure account.

12. RESERVES**a) Vocational Standards' Development Reserve**

	Note	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Opening balance		17,108	14,164
(Deficit)/Surplus for the year	22	(1,904)	2,944
		<hr/>	<hr/>
Closing balance		<u>15,204</u>	<u>17,108</u>

b) General Reserves

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Opening balance	(33,301)	(33,271)	(22,378)	(22,348)
Net expenditure for the financial year (excluding Vocational Standards)	(168,548)	(168,548)	(155,006)	(155,006)
Transfer of Grant-in-Aid - Capital	4,588	4,588	255	255
- Revenue	152,783	152,783	143,791	143,791
Unrealised surplus on revaluation of fixed assets	<u>3</u>	<u>3</u>	<u>37</u>	<u>37</u>
Closing government funds- Deficit	<u>(44,475)</u>	<u>(44,445)</u>	<u>(33,301)</u>	<u>(33,271)</u>

13. RECONCILIATION OF MOVEMENT IN FUNDS

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Opening balance of funds	(16,193)	(16,163)	(8,214)	(8,184)
Net expenditure for the year	(170,452)	(170,452)	(152,062)	(152,062)
Transfer of Grant-in-Aid	157,371	157,371	144,046	144,046
Unrealised surplus on the revaluation of fixed assets	3	3	37	37
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing balance of funds	(29,271)	(29,241)	(16,193)	(16,163)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14. LEASES

QCA is committed to pay the following within the next 12 months in respect of operating leases:

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Land and buildings		
Lease expiring in:		
One year	18	17
Two to five years	3,765	-
Over five years	-	3,765
	<u> </u>	<u> </u>
	3,783	3,782
	<u> </u>	<u> </u>
Other		
Lease expiring in:		
One year	46	-
Two to five years	-	51
	<u> </u>	<u> </u>
	46	51
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </u>
	3,829	3,833
	<u> </u>	<u> </u>

For the Piccadilly premises, annual rental of £3.765m per year is effective from 1 January 2004 but this is currently subject to a rent review as at 1 January 2008 which has not yet been finalised. Part of the Piccadilly premises is sub-let, giving an annual rental income of £143,310.

15. CONTRACTUAL COMMITMENTS

QCA is contractually committed to the following expenditure:

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Due within one year	69,287	56,679
Due within two to five years	157,749	28,680
Due after five years	-	1,882
	<hr/>	<hr/>
	227,036	87,241
	<hr/>	<hr/>
This includes capital commitments as follows:		
Due within one year	10	40
Due within two to five years	-	-
	<hr/>	<hr/>
	10	40
	<hr/>	<hr/>

16. CONTINGENT LIABILITY

QCA has no contingent liabilities at the balance sheet date.

17. RELATED PARTY TRANSACTIONS

The Department for Children, Schools and Families and the Department for Innovation, Universities and Skills are regarded as related parties. Grant-in-Aid for current and capital purposes of £157.4m was received during the year.

During the year QCA had material transactions with the Department for Children, Education, Lifelong Learning and Skills in Wales (DCELLS), the Department for Employment and Learning in Northern Ireland (DEL) and the Northern Ireland Council for the Curriculum Examinations and Assessment (CCEA).

The following payments were made for work awarded under QCA's normal contracting procedures:

NIACE	£46,807
Specialist Schools & Academics Trust (SSAT)	£1,500
CIHE	£2,000
NFER	£1,756,248
NFER Trading	£42,853
Higher Education Policy Institute (HEPI)	£1,763
University of Leeds	£98,244
Universities UK Ltd	£188

David Sherlock is President of NIACE, Nick Stuart is Chair of Trustees and Margaret Galliers is a member of the Board. Nick Stuart is a Trustee of SSAT. Richard Greenhalgh is Chairman of CIHE. Sir James Rose is President of NFER. Sir David Watson is a Trustee of HEPI. Professor Michael Arthur is President of the University of Leeds and a member of Universities UK Ltd.

QCA was due income of £2,159 from the Learning of Skills Council which was outstanding at 31 March 2008. Margaret Galliers is a LSC Regional committee member. None of the Board members, key managerial staff or other related parties has undertaken any material transactions with QCA during the year.

18. LATE PAYMENT OF COMMERCIAL DEBTS

There were 5 (2006-07: 1) instances of late payment penalties being incurred during the year for £5,421 (2006-07: £22,029).

19. LOSSES AND SPECIAL PAYMENTS

There was 1 (2006-07: 4) instance of a special payment being incurred during the year totalling £15,000 (2006-07: £596,685).

20. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date requiring an adjustment to the financial statements.

The financial statements were authorised for issue on 24 June 2008 by Ken Boston (Accounting Officer and Chief Executive).

21. FINANCIAL INSTRUMENTS

Financial Reporting Standard (FRS) 13 requires organisations to disclose information on the possible impact of financial instruments on its risk profile and how these might affect the performance and financial condition of the organisation. As an NDPB, with no borrowings and almost wholly funded by the Department of Children, Schools and Families, QCA can confirm it is not exposed to any liquidity or interest rate risk. It also has no material deposits and all material assets and liabilities are denominated in sterling, hence it is not exposed to interest rate or currency risk.

22. NATIONAL OCCUPATIONAL STANDARDS DEVELOPMENT

		Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Income			
	Levy	6,757	6,023
	Interest receivable	886	583
		<u>7,643</u>	<u>6,606</u>
Costs			
	Travel and subsistence	(1)	(1)
	Professional services and training	(9)	(9)
	Part of Key Result Area 2	(9,537)	(3,652)
		<u>(9,547)</u>	<u>(3,662)</u>
(Deficit)/Surplus		<u>(1,904)</u>	<u>2,944</u>

National occupational standards development monies are held in a separate bank account. See Notes 9 and 12a.

A Statutory Instrument laid before Parliament on 8th April 2008 requires QCA to transfer responsibility for National Occupational Standards Development, including collection of levy, to the UK Commission for Employment and Skills (UK CES) as at 30th September 2008.

23. DEPARTMENT FOR EMPLOYMENT & LEARNING EXPENDITURE BY QCA NORTHERN IRELAND OFFICE

	Year ended 31 March 2008 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000
Grant Income	414	426
Salaries	(289)	(265)
Travel and subsistence	(19)	(13)
Office costs	(67)	(50)
Project costs	(29)	(97)
Section 75 compliance costs	-	-
	<u>(404)</u>	<u>(425)</u>
	<u>10</u>	<u>1</u>

Capital purchases from this grant amounted to £2,214 during the year (2006-07: £nil).

24. NOTES TO THE CASH FLOW**i) Reconciliation of net expenditure to net cash flow from operating activities**

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
Net expenditure after exceptional item	(171,337)	(171,349)	(152,643)	(152,649)
Gross payover from subsidiary	(4,495)	-	(5,175)	-
Depreciation and amortisation	823	823	946	946
Adjustment on revaluation	2	2	19	19
Decrease/(Increase) in stock	-	62	-	(38)
Decrease in debtors	39	1,367	1,687	507
(Decrease)/Increase in creditors	(205)	(256)	3,166	2,918
Increase in provisions	<u>14,026</u>	<u>14,026</u>	<u>5,337</u>	<u>5,337</u>
Net cash outflow from operating activities	<u>(161,147)</u>	<u>(155,325)</u>	<u>(146,663)</u>	<u>(142,960)</u>

ii) Reconciliation of net cash flow to movement in net debt

	Year ended 31 March 2008		Year ended 31 March 2007	
	QCA	Group	QCA	Group
	£'000	£'000	£'000	£'000
(Decrease)/Increase in cash for the year	(1,386)	(1,643)	1,260	1,431
Change in net debt other than cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net funds	(1,386)	(1,643)	1,260	1,431
Opening net funds	<u>17,322</u>	<u>17,741</u>	<u>16,062</u>	<u>16,310</u>
Closing net funds	<u>15,936</u>	<u>16,098</u>	<u>17,322</u>	<u>17,741</u>

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