Presented pursuant to Education Act 1997, c.44, Sch 4, para 18(3)

Qualifications and Curriculum Authority Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 21 JULY 2005

LONDON: The Stationery Office
HC 440

4 November 2005
£8.50

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
Sir John Bourn, is an Officer of the
House of Commons. He is the head of the
National Audit Office, which employs some
800 staff. He, and the National Audit Office,
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the
economy, efficiency and effectiveness
with which departments and other bodies
have used their resources.

Our work saves the taxpayer millions of
pounds every year. At least £8 for every
£1 spent running the Office.

This account can be found on the National Audit Office web site at
www.nao.org.uk

Contents

Group Foreword

Background and statutory remit

The Qualifications and Curriculum Authority (QCA) was established on 1 October 1997 as a statutory body under Section 21 of the 1997 Education Act. 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;
- 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; and
- 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 Secretary of State;
- advise the Secretary 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; and
- accredit qualifications and advise the Secretary of State on their approval.

The QCA group consists of the Authority which includes the National Assessment Agency (NAA) and a wholly controlled subsidiary company, QCA (Enterprises) Limited, whose main function 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 borne on Department for Education and Skills (DfES) resource account, and from the Department for Employment and Learning (DEL) Northern Ireland, and receives further income from the Qualifications, Curriculum & Assessment Authority for Wales (ACCAC). All the profits of QCA (Enterprises) Limited are paid to the Authority 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.

Results for the Group

Revenue expenditure exceeded income resulting in a deficit for the year of £3,829,129. The deficit arises from the timing of charges and provisions in the financial year, resulting in higher creditors and provisions compared to the previous year (Notes 10 and 11) for which Grant-in-Aid will be received in the financial year 2005-2006 (Note 1m). As a result of these timing differences, the Grant-in-Aid paid in any year may contribute to a surplus/deficit of income over expenditure. The aggregate amount of Grant-in-Aid received for the period was £118,674,108, being £118,271,108 from DfES, and £403,000 from DEL. Of this sum, £846,769 was allocated to capital expenditure and £3,379,316 was distributed to exam centres to purchase capital equipment. Authority members confirm that government grants received have been used only for approved purposes.

The profit on ordinary activities before taxation for QCA (Enterprises) Ltd for the year amounted to £1,759,369. This amount is payable to QCA under gift aid at the year-end.

The balance sheet at 31 March 2005 shows net assets of £661,000. This includes restricted funds of £12,129,000 for national occupational standards and thereby results in other net liabilities of £11,468,000. 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 grants-in-aid from the QCA's sponsoring Department, the Department for Education and Skills. 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 2005-2006, 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.

Review of activities and future developments

The work of QCA in the period 1 April 2004 to 31 March 2005 covered by these accounts was based on the Authority's Business Plan for the period, from which was derived the Chief Executive's Performance Agreement, which was to

1. ensure that the National Curriculum and related curriculum frameworks are of the highest quality, and an appropriate preparation for life and work in the twenty-first century;
2. ensure the smooth production and delivery of tests and examinations, and ensure that they assist further learning;
3. modernise the examination and testing system;
4. ensure that examinations and tests are fair and that standards are secure;
5. ensure that there is a framework for recognising achievement, which enables learners of all ages to understand and pursue pathways for the acquisition of learning, skills and qualifications;
6. ensure that appropriate, high quality, accredited qualifications with national currency are developed by awarding bodies to meet the needs of learners and employers, and to anticipate and respond to emerging needs;
7. ensure that customer concerns are investigated, and remedied when necessary, and that the QCA is seen as the public champion of the customer;
8. maintain and enhance subject, sector and research expertise, to service the curriculum, assessment and qualifications functions of the QCA and client organisations;
9. underwrite the maintenance of subject, sector and research expertise by external consultancy and publishing on a commercial basis;
10. drive the take-up of learning and qualifications by new initiatives in e-assessment and e-learning;
11. position the organisation effectively through external communications, marketing, publishing and stakeholders analysis;
12. ensure that the corporate governance of the QCA provides clear lines of authority and accountability, and satisfies all statutory requirements;
13. ensure the organisation is focused on key priorities and the needs of customers;
14. look after our people;
15. manage the money; and
16. ensure the facilities, Information Technology and other resources serve the needs of the organisation.

QCA Board

Members of the QCA Board are appointed by the Secretary of State. The period of office for each member is set out below

QCA Board		Period of Office at QCA	Committee Member
Chairman			
Sir Anthony Greener	Deputy Chairman, BT	23 October 2002 to 21 October 2005	Nominations (Chair) Remuneration
Deputy Chairman			
Mr Richard Greenhalgh	Chairman, Unilever UK (retired July 2004)	1 October 2003 to 30 September 2006	Nominations Remuneration (Chair)
Members			
Mr Mike Beasley	Director, Mike Beasley Ltd	1 October 2003 to 30 September 2006	
Dr Ken Boston	Chief Executive, Qualifications and Curriculum Authority	18 September 2002 to 18 September 2007	
Ms Clare Chapman	Group Personnel Director, Tesco	1 October 2004 to 31 May 2007	
Mr Ian S Ferguson	Chairman, Data Connection Ltd	1 October 2003 to 30 September 2006	
Mrs Jenny Fitton	Principal, Taunton's College	1 October 1999 to 30 September 2004	Audit (Chair) to 30 September 2004 Nominations
Dr Helen Gilchrist	Principal, Bury College	1 October 2003 to 30 September 2006	
Mr Edward Gould	Master, Marlborough College (retired, August 2004)	5 December 2002 to 31 May 2007	Audit
Mrs Susan Kirkham	Headteacher, Walton High School	1 October 2003 to 30 September 2006	
Mr Jim Rose	Education Consultant	1 October 2003 to 30 September 2006	
Mr Nick Stuart	Chairman, NIACE	5 December 2002 to 31 May 2007	Audit (Chair) from 1 October 2004 Nominations
Sir Mike Tomlinson	Consultant	1 October 2003 to 30 September 2006	
Sir David Watson	Vice-Chancellor, University of Brighton	1 October 2003 to 30 September 2006	Remuneration

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 Authority Members is threefold: to formulate policy advice for the Secretary of State; to provide policy direction to guide the work of staff; and to oversee the administration and work of the Authority. The Authority 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 the Authority's resources. The Nominations Committee reviews nominations for appointment to the QCA Board. The Remuneration Committee deals with pay of the Executive and Heads of Programme.

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

Advisory group	**Chairman**
3-14	Mr Jim Rose
14-19	Sir Mike Tomlinson
Qualifications and Skills	Mr Ian Ferguson
Regulation and Standards	Mr Richard Greenhalgh
NAA Modernisation Board	Mr Mike Beasley

Headquarters and staff

QCA is located at 83 Piccadilly, London, W1J 8QA. It employed an average of 550 staff (2004: 570) during the period covered by this report.

Payment of creditors

The Authority is fully committed to the prompt payment of its bills, and observes the CBI's 'Better Payment Practice Code'. The Authority 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 2004 to March 2005, 97.8% (2004: 97.5%) 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 DfES allow to be carried forward to the following financial year is calculated in accordance with the Financial Memorandum as 2% of total grant-in-aid received from DfES during the year. At 31 March 2005 this amounted to £2,365,422. The group balance as defined by these guidelines amounted to £3,024,629. This excludes earmarked cash held for national occupational standards Development of £12,142,395. Under the terms of the Financial Memorandum with DfES, the DfES is entitled to recover any excess working balance above 2% from grant-in-aid for 2005-2006.

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 2005 is £35,000 (2004: £35,000). The financial statements for QCA (Enterprises) Ltd for the year ended 31 March 2005 were audited by KPMG LLP. The fee for this audit is £9,536 (2004: £9,753).

Statement of the Authority's and Chief Executive's responsibilities

Under paragraph 18(1) and (2) of schedule 4 of the Education Act 1997, the Authority 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 with the consent of the Treasury. The Authority accounts are prepared on an accruals basis and show a true and fair view of the Authority'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 the Authority is required to

- observe the Accounts Direction issued by the Secretary of State, 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; and
- 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 the Department for Education and Skills designates the Chief Executive of the Authority as the Accounting Officer for the Authority. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he 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. He is required to sign the statement of accounts, including a statement on internal control.

Staff relations

QCA is committed to encouraging employee involvement and communicating information as widely as possible so that strategic and business decisions are known and understood throughout the organisation. To meet this objective, we have a range of initiatives designed to foster and promote effective communication and understanding.

Consultation and negotiation between management and representatives from the recognised trade union are actively encouraged to ensure the best possible staff relations. Formal meetings are held regularly to discuss issues such as pay and grading, HR policies and corporate plans. Additionally, employee representatives from the union are invited to attend meetings with HR management and advisers on individual matters.

At QCA we believe the significant investment we make in our learning and development activities is essential for the future success of both the individual and the organisation. In the year, expenditure amounted to £682,187, 3.7% of total expenditure on wages and salaries (2004: £487,797, 2.8%). As part of the development of our people as a high performing and innovative team of professionals, we launched a new performance review system for all staff in 2004-2005. This system focuses on the need for a continuous process of performance review, and managers now hold quarterly reviews with their team members throughout the year, replacing the traditional annual appraisal. By ensuring that regular reviews of objectives, key achievements and personal development opportunities are carried out, both managers and individuals are able to clarify priorities, gain a greater awareness of progress in meeting objectives, and together identify developmental needs to help towards continuous improvement in performance.

We have also reviewed our pay award system this year; managers now have a more direct role in determining salary increases as we have removed the automatic link between appraisal and pay awards. Rather than a small set of pre-determined measures reflected in an annual appraisal rating, managers are able to assess an individual's overall standard of performance and contribution throughout the year, as well as additional factors such as comparability with other team members and the external market. This important change has a number of benefits, leading to greater individual differentiation in reward for performance, improved line manager capability in managing pay and progression and, by uncoupling awards from performance review, a more open dialogue in the drive for continuous improvement.

We aim to have an environment where people know they are valued and feel that their contribution is recognised. A culture of celebrating success, fostering team spirit and simply saying thank you for a job well done is an important part of positive staff relations. The new Recognition Programme launched at the beginning of 2004 has been embedded into the organisation and is actively used to acknowledge staff contributions by awarding vouchers that can be exchanged for a wide range of goods and services. Divisional managers also arrange regular meetings and events to recognise and celebrate their staff's successes.

Effective communication is essential if employees are to be kept informed and understand business strategies and decisions that affect them. We have a number of different communication vehicles, including an intranet, divisional team meetings, in-house seminars, events and divisional newsletters. The Chief Executive Officer also holds forums to present his messages and conduct Q&A sessions with staff and trade union members.

This year we launched a new initiative whereby a series of forums across the organisation were held to invite ideas and suggestions from all employees with a focus on identifying priority areas for improvement and change. A management steering group has formed working groups of volunteers to develop selected projects and ensure agreed objectives and actions are implemented.

QCA's Diversity Strategy was reviewed during the year to ensure that we are meeting the standards set out in the organisation's Diversity Policy, as it is imperative that strategic planning drives forward best practice in addressing all areas of diversity, including disability, black and ethnic minorities, and women. As a result, work is being undertaken to ensure our policies meet the requirements of Section 75 of the Northern Ireland Act, and additional strategic measures are currently under consideration to be included in the diversity strategy.

QCA encourages disabled people to apply for jobs, ensures that they have opportunities to develop their potential and offers practical support for individuals in the performance of their duties. The organisation also gives any employee who becomes disabled the fullest support to maintain a role appropriate to their experience and abilities.

Health and Safety training is provided to all employees and the Health & Safety Committee provides the machinery for consultation and negotiation between management and employee representatives.

QCA is recognised as an Investor in People, the national standard for good practice in the training, development and engagement of employees. This is an excellent indicator of the importance we give to ensuring best management practices are in place.

Ken Boston 20 June 2005
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

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 Qualifications and Curriculum Authority (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 Department for Education and Skills' (DfES) targets through its work on tests and examinations, as well as its regulatory work. I, and my Chairman, have regular meetings with the 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 DfES that ensures that there is formal agreement of objectives, 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 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. The system of internal control is 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.

Capacity to handle risk

The Executive risk register consists of strategic risks identified from the Key Result Areas (KRAs) that set out the organisational goals of the QCA. During 2004, QCA undertook a fundamental review of its strategy and agreed six new KRAs. These were used to revise the Executive risk register with each member of the Executive taking responsibility for one of the strategic risks.

QCA's most significant area of risk relates to the delivery of the national tests and examinations. The QCA, through the National Assessment Agency (NAA), failed to deliver the results of the 2004 Key Stage 3 English test to the committed deadline. The QCA Board established an Inquiry whose recommendations have been implemented. These include additional controls that mitigated the risks for 2005, and better working with our contractors and stakeholders to manage risks jointly using processes that are closely aligned.

Other than that, QCA work is predominantly programme and project based. Risk management is integrated with project management through project planning which embodies Prince2 methodology.

The risk and control framework

A risk management framework has been in place at QCA since 2002 and risk management is now an integral component of the QCA staff induction and management training programmes. The framework is regularly updated to take account of Treasury guidance, the most recent revision being agreed by the QCA Board at its meeting in March 2005. At the same time, and in accordance with the revised risk management framework, the Board set risk tolerances for each of the strategic risks thereby contributing to the development of the boundaries to be set for QCA's risk appetite.

Risks are identified at a strategic, programme and project basis on a regular basis and are listed on the appropriate risk register. The Executive and divisional management teams review risks and the effectiveness of the controls on the divisional and Executive registers on a monthly basis. Where it is felt that the controls are insufficient escalation takes place to the next level.

The risk manager logs any breaches of control, and Directors are responsible for the management of risk in their areas of responsibility. As such, they complete an end of year statement on internal control which states that they have complied with QCA policies on risk management, finance, and procurement and with the requirements set out in the staff handbook as well as with 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, the Directors and the Corporate Support Division, who have 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 receives a mid-year and end-of-year evaluation of risk management.

The role of the Audit Committee is to assure the Board that an appropriate framework is in place and that the risks are being managed. They receive quarterly reports by exception on progress on projects and on volatile risks. The Audit Committee also receive 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.

The QCA internal auditors operated to an audit plan designed to address the Executive risks, as agreed by the Audit Committee. The Audit Committee considers their reports on each audit as well as their annual report on the effectiveness of the overall system of internal control.

Internal control issues

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

I also recognise that the process of risk management must be further embedded within the culture of the QCA. The revised risk management framework will be implemented during 2005-2006 with workshops planned for the Board, Executive, and QCA senior managers. This will be supported by a revised performance monitoring framework that integrates risk as an indicator of organisational performance.

Ken Boston
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

20 June 2005

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

I certify that I have audited the financial statements on pages 12 to 38 under the Education Act 1997. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 22 to 24.

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

As described on page 6, the Authority and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Education and Skills, and for ensuring the regularity of financial transactions. The Authority and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Education and Skills, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 8 and 9 reflects the Authority's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Qualifications and Curriculum Authority at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Education and Skills; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

24 June 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Gross income					
DfES general grant in aid	2	**117,423**		81,226	
Transfer from government grant reserve for capital expenditure	12a	**1,045**		1,173	
DEL (Northern Ireland) grant in aid	2	**403**		329	
Other operating income	3	**9,865**		9,544	
			128,736		92,272
Operating expenditure					
Staff costs	4	**(25,320)**		(22,776)	
Other operating charges	5, 6	**(106,623)**		(76,728)	
Depreciation	7	**(1,040)**		(1,117)	
			(132,983)		(100,621)
Operating surplus/deficit			**(4,247)**		(8,349)
Cost of capital	1j		**(39)**		(285)
(Loss)/profit on disposal of fixed assets			**0**		(31)
Interest receivable			**418**		239
(Deficit)/surplus for the year			**(3,868)**		(8,426)
Add back cost of capital			**39**		285
Retained (deficit)/surplus for the year			**(3,829)**		(8,141)
Transfer from government grant reserve	12a		**0**		5
Retained surplus brought forward	12b, c		**1,102**		9,238
Retained (deficit)/surplus carried forward			**(2,727)**		1,102

The notes on pages 22 to 38 form part of these accounts.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000
(Deficit)/surplus for the year		**(3,829)**	(8,141)
Unrealised surplus on the revaluation of fixed assets	12a	**130**	0
Unrealised deficit on the impairment of fixed assets	12a	**0**	0
Total recognised (loss)/gain relating to the year		**(3,699)**	(8,141)

The notes on pages 22 to 38 form part of these accounts.

Balance Sheet as at 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Fixed assets					
Intangible assets	7a		**36**		34
Tangible assets	7b		**3,322**		3,393
			3,358		3,427
Current assets					
Debtors	8	**3,780**		4,706	
Cash at bank and in hand	9	**14,362**		10,737	
		18,142		15,443	
Current liabilities					
Creditors: amounts falling due within one year	10	**(15,971)**		(9,762)	
Net current assets			**2,171**		5,681
Total assets less current liabilities			**5,529**		9,108
Provisions for liabilities and charges	11		**(4,898)**		(4,579)
Total assets less total liabilities			**631**		4,529
Financed by					
Capital and reserves					
Government grant reserve	12a		**3,358**		3,427
Vocational standards' development reserve	12b		**12,129**		9,003
General reserves	12c		**(14,856)**		(7,901)
			631		4,529

The notes on pages 22 to 38 form part of these accounts.

Ken Boston 20 June 2005
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

Cashflow Statement for the year ended 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Operating activities					
Grant received	2	**117,423**		81,226	
Other cash received		**9,731**		6,760	
			127,154		87,986
Cash paid to suppliers		**(100,071)**		(65,590)	
Cash paid to and on behalf of employees		**(25,339)**		(23,172)	
			(125,410)		(88,762)
Net cash inflow/(outflow) from operating activities			**1,744**		(776)
Returns on investment and servicing of finance					
Interest received			**403**		225
Gross payover received from subsidiary			**1,478**		4,520
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	7	**(804)**		(406)	
Payments to acquire intangible fixed assets		**(42)**		(24)	
Receipts from sale of tangible fixed assets		**0**		5	
			(846)		(425)
Financing					
DfES grant applied to tangible fixed assets	2		**846**		430
Increase in cash			**3,625**		3,974

Notes to Cashflow

i Reconciliation of operating surplus (deficit) to net cash flow from operating activities

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Operating (deficit)/surplus	**(4,247)**	(8,349)
Gross payover from subsidiary	**(1,759)**	(3,011)
Depreciation	**1,040**	1,117
Adjustment on revaluation	**5**	25
(Increase)/decrease in debtors	**1,222**	(101)
Increase/(decrease) in creditors	**6,209**	6,510
Increase/(decrease) in provisions	**319**	4,206
Release of deferred government grant	**(1,045)**	(1,173)
Net cash inflow/(outflow) from operating activities	**1,744**	(776)

ii Reconciliation of net cashflow to movement in net debt

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Increase in cash for the year	**3,625**	3,974
Change in net debt other than cash		
Change in net funds	**3,625**	3,974
Opening net funds	**10,737**	6,763
Closing net funds	**14,362**	10,737

The notes on pages 22 to 38 form part of these accounts.

QCA Group

Income and Expenditure Account for the year ended 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Gross income					
DfES general Grant-in-Aid	2	**117,423**		81,226	
Transfer from government grant reserve for capital expenditure	12a	**1,045**		1,173	
DEL (Northern Ireland) Grant-in-Aid	2	**403**		329	
Other operating income	3	**12,184**	**131,055**	12,205	94,933
Operating expenditure					
Staff costs	4	**(25,320)**		(22,776)	
Other operating charges	5	**(108,947)**		(79,392)	
Depreciation	7	**(1,040)**		(1,117)	
			(135,307)		(103,285)
Operating (deficit)/surplus			**(4,252)**		(8,352)
Cost of capital	1j		**(40)**		(286)
(Loss)/profit on disposal of fixed assets			**0**		(31)
Interest receivable			**423**		242
(Deficit)/surplus for the year			**(3,869)**		(8,427)
Add back cost of capital			**40**		286
Retained (deficit)/surplus for the year			**(3,829)**		(8,141)
Transfer from government grant reserve	12a		**0**		5
Retained surplus brought forward	12b, c		**1,132**		9,268
Retained surplus carried forward			**(2,697)**		1,132

All activities are continuing.

The notes on pages 22 to 38 form part of these accounts.

QCA Group

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000
(Deficit)/surplus for the year		**(3,829)**	(8,141)
Unrealised surplus on the revaluation of fixed assets	12a	**130**	0
Total recognised (loss)/gain relating to the year		**(3,699)**	(8,141)

The notes on pages 22 to 38 form part of these accounts.

QCA Group

Balance Sheet as at 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Fixed assets					
Intangible assets	7a		**36**		34
Tangible assets	7b		**3,322**		3,393
			3,358		3,427
Current assets					
Stock		**350**		373	
Debtors	8	**3,883**		5,384	
Cash at bank and in hand	9	**15,168**		10,857	
		19,401		16,614	
Current liabilities					
Creditors: amounts falling due within one year	10	**(17,200)**		(10,903)	
Net current assets			**2,201**		5,711
Total assets less current liabilities			**5,559**		9,138
Provisions for liabilities and charges	11		**(4,898)**		(4,579)
Total assets less total liabilities			**661**		4,559
Financed by					
Capital and reserves					
Government grant reserve	12a		**3,358**		3,427
Vocational standards' development reserve	12b		**12,129**		9,003
General reserves	12c		**(14,826)**		(7,871)
			661		4,559

The notes on pages 22 to 38 form part of these accounts.

Ken Boston
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

20 June 2005

QCA Group

Cashflow Statement for the year ended 31 March 2005

	Notes	**Year ended 31 March 2005 £000**	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Operating activities					
Grant received	2	**117,423**		81,226	
Receipts from sales by subsidiary		**5,148**		5,904	
Other cash received		**8,954**		7,309	
			131,525		94,439
Cash paid to suppliers		**(102,292)**		(67,416)	
Cash paid to and on behalf of employees		**(25,331)**		(23,172)	
			(127,623)		(90,588)
Net cash inflow from operating activities			**3,902**		3,851
Returns on investment and servicing of finance					
Interest received			**409**		228
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	7	**(804)**		(406)	
Payments to acquire intangible fixed assets	7	**(42)**		(24)	
Receipts form sale of tangible fixed assets				5	
			(846)		(425)
Financing					
DfES grant applied to fixed assets	2		**846**		430
Increase in cash			**4,311**		4,084

The notes on pages 22 to 38 form part of these accounts.

Notes to Cashflow

i Reconciliation of operating surplus to net cash flow from operating activities

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Operating (deficit)/surplus	**(4,252)**	(8,352)
Depreciation	**1,040**	1,117
Adjustment on revaluation	**5**	25
(Increase)/decrease in stock	**23**	(111)
(Increase)/decrease in debtors	**1,515**	679
Increase/(decrease) in creditors	**6,297**	7,460
Increase/(decrease) in provisions	**319**	4,206
Release of deferred government grant	**(1,045)**	(1,173)
Net cash inflow from operating activities	**3,902**	3,851

ii Reconciliation of net cashflow to movement in net debt

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Increase in cash for the year	**4,311**	4,084
Change in net debt other than cash		
Change in net funds	**4,311**	4,084
Opening net funds	**10,857**	6,773
Closing net funds	**15,168**	10,857

The notes on pages 22 to 38 form part of these accounts.

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) Ltd is a wholly owned subsidiary of the Authority. Its principal activity is the sale of educational materials, and licences for the National Database of Vocational Qualifications. The consolidated accounts include the operating results of QCA (Enterprises) Ltd, on an acquisition accounting basis.

b Income

Grant from the Department for Education and Skills
Grant for current activities is credited to the Income and Expenditure Account in the year of receipt. Grant applied to capital purchases is credited to a Government Grant Reserve and is released to the income and expenditure account over the expected life of those assets or written off upon disposal or transfer.

NVQ certification income
The Authority receives income from awarding bodies in respect of the certification of NVQs. Information on the number of certificates awarded is received and accounted for in the following quarter to which it relates.

Other income
All other income is accounted for on an accruals basis with the exception of royalties payable to QCA (Enterprises) Ltd which is accounted for on a cash basis.

The turnover of QCA (Enterprises) Ltd 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

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

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 the Government Grant Reserve. Where an asset is impaired as a result of downward revaluation the charge is taken to the Income and Expenditure account with a corresponding release from Government Grant. On disposal of an asset the related balance in the Government Grant Reserve is transferred to the General Reserve.

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
Software licences	3 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.

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 but QCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-2005, employers' contributions of £2,517,619 were payable to the PCSPS (2003-2004: £2,337,291) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005-2006, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%. The contribution rates reflect benefits as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £538.12 (2003-2004: £nil), 0.8 per cent 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 £1,262.16 (2003-2004: £nil). Contributions prepaid at that date were £nil (2003-2004: £nil).

j Notional costs

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% (2004: 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

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 DfES the 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

	QCA and group year ended 31 March 2005 £000	QCA and group year ended 31 March 2004 £000
Gross grant-in-aid received from DfES	**118,269**	81,656
Applied as follows		
For QCA current expenditure	**117,423**	81,226
For QCA capital expenditure	**846**	430
	118,269	81,656

Grant-in-aid was received from the Department for Education and Skills.

In addition, Grant-in-aid was received from the Department for Employment and Learning (Northern Ireland) of £403,000 (2004: £328,858) for funding the QCA office located in Northern Ireland. Note 20 provides details of the expenditure of the QCA Northern Ireland Office.

3 Other operating income

	QCA year ended 31 March 2005 £000	**Group year ended 31 March 2005 £000**	QCA year ended 31 March 2004 £000	Group year ended 31 March 2004 £000
NVQ/SVQ certification income	**4,985**	**4,985**	4,324	4,324
Qualification Curriculum and Assessment Authority for Wales	**332**	**332**	744	744
Northern Ireland Council for the Curriculum examinations and assessment	**212**	**212**	187	187
Contract income	**243**	**243**	58	58
Other income	**2,061**	**1,264**	988	988
Gross income transferred from QCA(E) under gift aid	**1,759**	**0**	3,011	0
Management and support services recharge to QCA(E)	**273**	**0**	232	0
QCA(E) gross turnover	**0**	**5,148**	0	5,904
	9,865	**12,184**	9,544	12,205

Trading activities

QCA (Enterprises) Ltd is a wholly owned trading subsidiary of the Authority selling education materials and licenses for the National Database of Vocational Qualifications. The company transferred £1,759,369 (2004: £3,010,936) under gift aid to the Authority.

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Income	**5,153**	5,907
Costs	**(3,394)**	(2,896)
Surplus	**1,759**	3,011

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

4 Authority members and employees

a Employees

The average number of persons employed during the period was

	QCA and Group 9 months ended 31 December 2004					QCA and Group
	Staff	Senior staff	Seconded	Agency	Total	11 months ended 31 March 2004
	No.	No.	No.	No.	No.	No.
Curriculum and assessment policy	85	3	0	1	**89**	96
QCA consulting	89	1	1	6	**97**	124
Corporate support	65	2	1	0	**68**	73
External relations	37	1	0	2	**40**	31
Finance	26	1	0	1	**28**	30
Human resources	14	1	0	1	**16**	19
National assessment agency	82	1	3	11	**97**	66
Qualifications and skills	100	1	0	5	**106**	122
Other	3	0	0	0	**3**	9
	501	11	5	27	**544**	570

	QCA and Group 3 months ended 31 March 2005				
	Staff	Senior staff	Seconded	Agency	Total
	No.	No.	No.	No.	No.
Communications and marketing	45	1	0	1	**47**
Corporate support	66	2	0	1	**69**
Curriculum	90	1	0	1	**92**
Finance	28	1	0	1	**30**
Human resources	16	1	0	0	**17**
National assessment agency	127	1	2	14	**144**
Qualifications and skills	132	1	0	2	**135**
Quality assurance	31	1	0	0	**32**
Other	2	0	0	0	**2**
	537	9	2	20	**568**
Weighted average for the year	510	11	4	25	**550**

Three divisions within QCA were restructured during 2004-2005 as a result of recommendations from the Chief Executive to improve organisational effectiveness. The reorganisation of the divisions took place with effect from 1 January 2005. Consequently staff numbers by division for 2004-2005 are shown for nine months from 1 April 2004 to the 31 December 2004. The second table shows staff numbers from the reorganisation date for three months to 31 March 2005.

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

b Staff costs

	QCA and group year ended 31 March 2005 £000	QCA and group year ended 31 March 2004 £000
Wages and salaries	**18,671**	17,325
Social security costs	**1,647**	1,540
Pension costs	**2,506**	2,337
Agency/contract staff and secondment costs	**2,496**	1,574
	25,320	22,776

c Remuneration of the Chief Executive and the Executive

Figures in brackets refer to 2003-2004 and a total accrued pension at 60 at 31 March 2004

	Annualised salary £000s	Salary paid £000s (a)	Real increase in pension at 60 and related lump sum £000s	Total accrued pension at 60 and related lump sum £000s	CETV at 31 March 2004 £000s (b)	CETV at 31 March 2005 £000s (c)	Real increase in CETV £000s (d)
Alix Beleschenko *Director*, 3 – 14 Division (16 June 2004 to 10 December 2004)	65 - 70	35 - 40	0 - 2.5 2.5 - 5	15 - 20 55 - 60	295	325	19
Ken Boston[1] *Chief Executive*	145 - 150 (150 - 155)	145 - 150 (150 - 155)	0 - 2.5 (0 - 2.5)	0 - 5 (0 - 5)	40	66	17 (19)
Ian Colwill *Director*, Curriculum	90 - 95 (75 - 80)	90 -95 (75 - 80)	2.5 - 5 10 - 12.5 (2.5 - 5) (12.5 - 15)	30 -35 90 - 95 (25 - 30) (75 - 80)	451	536	63 (87)
Mary Curnock Cook *Director,* Qualification & Skills	115 -120 (100 - 105)	115 - 120 (55 - 60)	0 - 2.5 (0 - 2.5)	0 - 5 (0 - 5)	8	28	16 (6)
Jonathan Ford *Managing Director*, NAA (to 17 November 2004)	*	*					
David Gee *Managing Director*, NAA (from 15 November 2004)	140 - 145	65 - 70	0 - 2.5	2.5 - 5	30	39	4
Stephen Goulder *Director*, Corporate Support	80 - 85 (65 - 70)	80 - 85 (65 - 70)	2.5 - 5 (20 - 22.5)	20 - 25 (20 - 25)	191	237	31 (32)

	Annualised salary	Salary paid	Real increase in pension at 60 and related lump sum	Total accrued pension at 60 and related lump sum	CETV at 31 March 2004	CETV at 31 March 2005	Real increase in CETV
	£000s	£000s (a)	£000s	£000s	£000s (b)	£000s (c)	£000s (d)
Michael Green *Human Resources Director*	85 - 90 (80 - 85)	85 - 90 (65 - 70)	0 - 2.5 (0 - 2.5)	0 - 2.5 (0 - 5)	13	33	16 (11)
Chris Jones *General Manager*, Curriculum Assessment and Policy (to 30 June 2004)	*	*					
Arthur Jordan *Finance Director*	85 - 90 (80 - 85)	85 - 90 (75 - 80)	0 - 2.5 (0 - 2.5)	0 - 5 (0 - 5)	16	36	17 (13)
Dennis Opposs *Director,* Quality Assurance (from 16 June 2004)	70 - 75	55 - 60	2.5 - 5 7.5 - 10	20 - 25 70 - 75	323	393	48
David Robinson *Director*, Communications and Marketing	85 - 90 (80 - 85)	85 - 90 (80 - 85)	0 - 2.5 (0 - 2.5)	2.5 - 5 (0 - 5)	14	33	15 (12)
Robert Taylor *Director,* 14 – 19 Division (16 June 2004 to 10 December 2004)	65 - 70	35 - 40	0 - 2.5 5 - 7.5	20 - 25 60 - 65	283	327	32

* Permission for disclosure withheld

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 £134,828 (2004: £104,999) for the provision of living accommodation and international air travel. This amount includes £31,105.64 (2004: £26,984.67) for the tax liability to be settled by QCA on these benefits in Kind.

a 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.

b-d Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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).

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

Columns (b) and (c) of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column (d) reflects the increase in CETV effectively funded by the employer. It takes account of 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.

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 CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

d Remuneration of the Chairman and other Authority members

The Authority consists of up to 13 members. A list of the current Authority members can be found in the Group Foreword 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.

Sir Anthony Greener (63) was appointed as interim Chairman on 23 October 2002. This appointment was made permanent on 5 March 2005 and runs until 21 October 2005. He works part-time for the QCA and is unpaid.

Four members were paid £16,300 for consultancy work. Otherwise members (other than the Chief Executive) are reimbursed only for expenses incurred. During the year a total of £2,865 (2004: £5,213) was reimbursed to eight members.

5 Other operating charges

	QCA year ended 31 March 2005 £000	**Group year ended 31 March 2005 £000**	QCA year ended 31 March 2004 £000	Group year ended 31 March 2004 £000
Travel and subsistence	**852**	**852**	632	632
Authority expenses	**16**	**16**	9	9
Operating leases - plant and machinery	**103**	**103**	158	158
Operating leases - other	**3,951**	**3,951**	3,334	3,334
Repairs and renewals provision	**364**	**364**	3,669	3,669
Other accommodation costs	**1,163**	**1,163**	1,316	1,316
Transport	**0**	**0**	1	1
Supplies and services	**3,563**	**3,563**	3,452	3,452
Professional services and training	**1,173**	**1,210**	1,262	1,307
External audit fees	**35**	**45**	35	47
Diminution in value of fixed assets	**5**	**5**	25	25
(Gain)/loss on foreign currency	**(15)**	**(15)**	13	13
Redundancy costs	**2,562**	**2,562**	2,592	2,592
Other charges	**110**	**2,387**	37	2,644
	13,882	**16,206**	16,535	19,199
Qualifications, assessment and curriculum programmes (see note 6)	**92,741**	**92,741**	60,496	60,496
	106,623	**108,947**	77,031	79,695
Appropriations: (refunds)/payover of unplanned receipts to DfES	**0**	**0**	(303)	(303)
	106,623	**108,947**	76,728	79,392

The external auditors received no remuneration for non-audit work.

Included in the above charges are consultant fees totalling £9,844,301 (2004: £5,374,546) and unwinding of discount for annual compensation payment of £15,570 (2004: £17,789).

6 Analysis of costs by programme

The Authority's Business Plan for the year to 31 March 2005 was the basis for the Chief Executive's Performance Agreement, which was divided into Key Result Areas (KRAs) as follows

	QCA year ended 31 March 2005 £000
KRA 1	
Ensure that the National Curriculum and related curriculum frameworks are of the highest quality, and an appropriate preparation for life and work in the twenty-first century	3,484
KRA 2	
Ensure the smooth production and delivery of tests and examinations, and ensure that they assist further learning	40,169
KRA 3	
Modernise the examinations and testing system	28,565
KRA 4	
Ensure examinations and tests are fair and that standards are secure	1,021
KRA 5	
Ensure that there is a framework for recognising achievement which enables learners of all ages to understand and pursue relevant pathways for the aquisition of learning, skills and qualifications	1,476
KRA 6	
Ensure that appropriate, high quality, accredited qualifications with national currency are developed by awarding bodies to meet the needs of learners and employers, and to anticipate and respond to emerging needs	5,256
KRA 7	
Ensure that customer concerns are investigated, and remedied when necessary, and that the QCA is seen as the public champion of the consumer	311
KRA 8	
Maintain and enhance subject, sector and research expertise, to service the curriculum, assessment and qualifications functions of the QCA and client organisations	118
KRA 9	
Underwrite the maintenance of subject, sector and research expertise by external consultancy and publishing on a commercial basis	1,079
KRA 10	
Drive the take-up of learning and qualifications by new initiatives in e-assessment and e-learning	8,697
KRA 11	
Position the organisation effectively through external communications, marketing, publishing and stakeholder analysis	1,222
KRA 12	
Ensure that the corporate governance of the QCA provides clear lines of authority and accountability, and satisfies all statutory requirements	305
KRA 13	
Ensure the organisation is focused on key priorities and the needs of customers	188
KRA 14	
Look after our people	269
KRA 15	
Manage the money	54
KRA 16	
Ensure the facilities, information technology and other resources serve the needs of the organisation	527
Total QCA programmes	92,741
Other operating charges (see note 5)	13,882
Total expenditure	106,623

7 Fixed assets

a Intangible fixed assets

	Total £000
Cost or valuation	
As at 31 March 2004	**79**
Additions	**42**
Permanent diminution	**(1)**
As at 31 March 2005	**120**
Depreciation	
As at 31 March 2004	**(45)**
Charge for the year	**(39)**
Revaluation	**0**
As at 31 March 2005	**(84)**
Net book value	
As at 31 March 2005	**36**
As at 31 March 2004	**34**

The intangible fixed assets relate to computer software licenses.

b Tangible fixed assets

	Office equipment £000	Furniture £000	Refurbishment £000	Motor vehicles £000	Information technology £000	**Total £000**
Cost or valuation						
As at 31 March 2004	196	1,532	4,246	13	2,855	**8,842**
Additions	0	1	68	0	735	**804**
Disposals	(2)	0	0	0	(13)	**(15)**
Revaluation surplus in the year	0	5	224	0	0	**229**
Permanent diminution	0	0	0	0	(12)	**(12)**
As at 31 March 2005	194	1,538	4,538	13	3,565	**9,848**
Depreciation						
As at 31 March 2004	(184)	(1,174)	(1,472)	(13)	(2,606)	**(5,449)**
Charge for the year	(6)	(219)	(353)	0	(423)	**(1,001)**
Revaluation	0	(3)	(96)	0	8	**(91)**
Disposals	2	0	0	0	13	**15**
As at 31 March 2005	(188)	(1,396)	(1,921)	(13)	(3,008)	**(6,526)**
Net book value						
As at 31 March 2005	6	142	2,617	0	557	**3,322**
As at 31 March 2004	12	358	2,774	0	249	**3,393**

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

8 Debtors

	QCA 31 March 2005 £000	**Group 31 March 2005 £000**	QCA 31 March 2004 £000	Group 31 March 2004 £000
Amounts falling due within one year				
Trade debtors	**116**	**1,663**	743	2,589
Amount receivable from subsidiary undertaking	**1,449**	**0**	1,168	0
Other debtors	**228**	**229**	1,273	1,273
Prepayments and accrued income	**1,953**	**1,957**	1,519	1,519
	3,746	**3,849**	4,703	5,381
Amounts falling due after one year				
Other debtors				
Prepayments and accrued income	**34**	**34**	3	3
Total	**3,780**	**3,883**	4,706	5,384

As at 31 March 2005, nine (2004: 12) members of staff had loans outstanding in excess of £2,500. The total value of these loans was £25,734 (2004: £38,315).

As at 31 March 2005, six (2004: four) balances were outstanding with other government bodies

	31 March 2005 £	31 March 2004 £
Other central government bodies	**398,138**	901,281
Local authorities	**85**	0
Total	**398,223**	901,281

9 Cash at bank and in hand

	QCA 31 March 2005 £000	**Group 31 March 2005 £000**	QCA 31 March 2004 £000	Group 31 March 2004 £000
Grant in aid	**2,220**	**3,026**	1,559	1,679
Vocational Standards' Development	**12,142**	**12,142**	9,178	9,178
Total	**14,362**	**15,168**	10,737	10,857

The Authority 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

	QCA 31 March 2005 £000	**Group 31 March 2005 £000**	QCA 31 March 2004 £000	Group 31 March 2004 £000
Trade creditors	**5,416**	**6,444**	6,252	7,325
Taxation and social security costs	**33**	**43**	52	54
Other creditors	**2**	**2**	34	94
Accruals and deferred income	**10,520**	**10,711**	3,424	3,430
	15,971	**17,200**	9,762	10,903

As at 31 March 2005, seven (2004: five) balances were outstanding with other government bodies

	31 March 2005 £	31 March 2004 £
Other central government bodies	**39,804**	287,282
Local authorities	**9,300**	0
Total	**49,104**	287,282

11 Provisions

	QCA and Group 31 March 2005 £000	QCA and Group 31 March 2004 £000
i Annual compensation payments		
Opening balance	**910**	373
Amount charged against provision during the year	**665**	678
Provision not required written back	**(20)**	(7)
Unwinding of discount	**(16)**	(18)
Amount released from the provision during the year	**(304)**	(116)
Closing balance	**1,235**	910
ii Building maintenance		
Opening balance	**3,669**	0
Provision not required written back	**(34)**	0
Amount charged against provision during the year	**398**	3,669
Amount released from the provision during the year	**(370)**	0
Closing balance	**3,663**	3,669
Total closing balance	**4,898**	4,579

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 3.5% to reflect the real cost of the present value.

The provision for building maintenance for 2004-2005 recognises costs for repairs and renewals required by the lease for the Piccadilly premises to be carried out during 2005-2006.

12 Reserves

a Government grant reserve

	Note	**QCA and Group 31 March 2005 £000**	QCA and Group 31 March 2004 £000
Opening balance		**3,427**	4,175
Allocated from grant income	2	**846**	430
Released for the year		**(1,045)**	(1,173)
Revaluation	7	**130**	0
Transfer to general reserve		**0**	(5)
Closing balance		**3,358**	3,427

b Vocational standards' development reserve

	Note	**QCA and Group 31 March 2005 £000**	QCA and Group 31 March 2004 £000
Opening balance		**9,003**	6,626
Surplus for the year	21	**3,126**	2,377
Closing balance		**12,129**	9,003

c General reserves

	QCA 31 March 2005 £000	**Group 31 March 2005 £000**	QCA 31 March 2004 £000	Group 31 March 2004 £000
Opening balance	**(7,901)**	**(7,871)**	2,612	2,642
(Deficit)/surplus for the year	**(6,955)**	**(6,955)**	(10,518)	(10,518)
Transfer from government grant reserve	**0**	**0**	5	5
Closing government funds	**(14,856)**	**(14,826)**	(7,901)	(7,871)

13 Reconciliation of movement in funds

	QCA 31 March 2005 £000	**Group 31 March 2005 £000**	QCA 31 March 2004 £000	Group 31 March 2004 £000
Opening balance of funds	**4,529**	**4,559**	13,413	13,443
(Deficit)/surplus for the year	**(3,829)**	**(3,829)**	(8,141)	(8,141)
Reserves transfer	**0**	**0**	5	5
(Decrease) in government grant reserve	**(69)**	**(69)**	(748)	(748)
Closing balance of funds	**631**	**661**	4,529	4,559

14 Leases

The Authority is committed to pay the following within the next 12 months in respect of operating leases

	QCA and Group 31 March 2005 £000	QCA and Group 31 March 2004 £000
Land and buildings		
Lease expiring in		
One year	**0**	2
Two to five years	**17**	17
Over five years	**3,765**	3,765
	3,782	3,784
Other		
Lease expiring in		
One year	**5**	0
Two to five years	**98**	103
	103	103
Total	**3,885**	3,887

For the Piccadilly premises, annual rental of £3.765m per year is effective from 1 January 2004. Part of the Piccadilly premises is sub-let giving an annual rental income of £143,310.

15 Contractual commitments

The Authority is contractually committed to the following expenditure

	QCA and Group 31 March 2005 £000	QCA and Group 31 March 2004 £000
Due within		
One year	**55,911**	42,889
Two to five years	**78,600**	16,413
	134,511	59,302
This includes capital commitments as follows		
Due within		
One year	**118**	50
Two to five years	**0**	0
	118	50

16 Contingent liability

QCA is currently involved in a contract dispute that is subject to mediation. The potential contingent liability from this dispute is £836,000.

17 Related party transactions

The Department for Education and Skills, the Authority's sponsor Department, is regarded as a related party. Grant-in-aid for current and capital purposes of £118.2m was received during the year.

During the year the Authority has material transactions with the Qualifications, Curriculum and Assessment Authority for Wales (ACCAC), the Department for Employment and Learning in Northern Ireland (DEL) and the Northern Ireland Council for the Curriculum Examinations and Assessment (CCEA).

Research Machines plc was paid £5,574,491 and BT plc was paid £57,902 for work awarded under QCA's normal contracting procedures. Sir Mike Tomlinson, an Authority member, is a Non Executive Director of Research Machines plc and Sir Anthony Greener, the Authority's Chairman, is Deputy Chairman of BT plc. None of the Authority members, key managerial staff or other related parties have undertaken any material transactions with the Authority during the year.

18 Late payment of commercial debts

There were nil (2004: seven) instances of late payment penalties/interest charges being incurred during the year. These totalled £nil (2004: £20,198).

19 Losses and special payments

There were two (2004: eight) instances of ex gratia payments being incurred during the year. These totalled £113,929 (2004: £185,961).

There was one (2004: nil) instance of a cash loss being incurred during the year for £46,648 (2004: nil).

20 Department of employment and learning grant-in-aid expenditure by QCA Northern Ireland office

	Year ended 31 March 2005 £000	**Year ended 31 March 2005 £000**	Year ended 31 March 2004 £000	Year ended 31 March 2004 £000
Grant-in-Aid		**403,000**		328,858
Salaries	**239,736**		217,282	
Travel and subsistence	**28,625**		22,680	
Office costs	**55,897**		76,762	
Project costs	**41,942**		31,262	
Section 75 compliance costs	**4,700**	**(370,900)**	8,642	(356,628)
		32,100		(27,770)

There were no capital purchases from this grant during the year (2004: £nil).

21 National occupational standards development

	31 March 2005 £000	31 March 2004 £000
Income		
Levy	**4,985**	4,324
Grant-in-Aid	**0**	1,400
Interest receivable	**418**	239
	5,403	5,963
Costs		
Staff salaries		
Agency staff	**24**	14
Travel and subsistence	**2**	2
Supplies and services	**7**	5
Professional services and training	**19**	5
Other charges	**1**	0
Part of Key Result Area 6: Align the Qualifications Framework in response to the sector specifications of the 23 Sector Skills Councils	**2,224**	3,560
	2,277	3,586
Surplus	**3,126**	2,377

National Occupational Standards Development monies are held in a separate bank account. See Notes 9 and 12b.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: F24208 5746WC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
11/05

Published by TSO (The Stationery Office) and available from:

Online
www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Fax orders 0870 600 5533
Order through the Parliamentary Hotline
Lo-call 0845 702 3474
E-mail book.orders@tso.co.uk
Textphone 0870 240 3701

TSO Shops
123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
9-21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
18-19 High Street, Cardiff CF10 1PT
029 2039 5548 Fax 029 2038 4347
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/General enquiries 020 7219 3890
Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

ISBN 0-10-328574-1

9 780103 285740