



**Office of Qualifications and  
Examinations Regulation (Ofqual)  
Annual Report and Accounts 2011-12**



July 2012

Ofqual/12/5194

# **Office of Qualifications and Examinations Regulation (Ofqual)**

**Annual Report and Accounts 2011-12  
(For the year ended 31 March 2012)**

Accounts presented to the House of Commons pursuant to Section 6(4) of the  
Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her  
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Any enquiries regarding this document should be sent to us at:

Ofqual	
Spring Place	2nd Floor
Coventry Business Park	Glendinning House
Herald Avenue	6 Murray Street
Coventry CV5 6UB	Belfast BT1 6DN

Telephone 0300 303 3344  
Textphone 0300 303 3345  
Helpline 0300 303 3346

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## Annual Report

### Introduction

The Office of Qualifications and Examinations Regulation (Ofqual) is a non-Ministerial Government Department created on 1 April 2010 under the Apprenticeships, Skills, Children and Learning Act 2009 (the ASCL Act). Our objectives under the ASCL Act, as amended by the Education Act 2011 are:

1. to ensure that regulated qualifications give a reliable indication of knowledge, skills and understanding, and indicate a consistent level of attainment (including over time) between comparable regulated qualifications; and a consistent level of attainment (but not over time) between regulated qualifications and comparable qualifications (including those awarded outside the United Kingdom) which are not qualifications regulated by Ofqual (the qualifications standards objective)
2. to promote the development and implementation of regulated assessment arrangements, which give a reliable indication of achievement, and indicate a consistent level of attainment (including over time) between comparable assessments (the assessments standards objective)
3. to promote public confidence in regulated qualifications and regulated assessment arrangements (the public confidence objective)
4. to promote awareness and understanding of the range of regulated qualifications available, the benefits of regulated qualifications to learners, employers and institutions within the higher education sector, and the benefits of recognition under section 132 of the ASCL Act to bodies awarding or authenticating qualifications (the awareness objective)
5. to secure that regulated qualifications are provided efficiently and, in particular that any relevant sums payable to a body awarding or authenticating a qualification in respect of which the body is recognised under section 132 of the ASCL Act, represent value for money (the efficiency objective).

Regulated qualifications in the context of our remit mean academic or vocational qualifications awarded or authenticated in England, and vocational qualifications awarded or authenticated in Northern Ireland. Qualifications outside our remit are foundation degrees, first degrees and degrees at a higher level. We work with qualifications regulators in other parts of the United Kingdom so that, as far as possible, regulatory requirements throughout the United Kingdom are consistent.

This is our second Annual Report and Accounts. It presents our aims, activities, functions and performance for the year ending 31 March 2012, and the expenditure incurred in the year. We will also present annual reports to Parliament and to the Northern Ireland Assembly on our work in 2011-12, in accordance with section 171 of the ASCL Act.

## **Basis of accounts**

Our accounts for the year ended 31 March 2012 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

Ofqual was the sole entity within its Departmental Accounting Boundary during 2011-12. Ofqual is not responsible for any bodies outside its Departmental Accounting Boundary.

In 2010-11, all income and expenditure was classified as programme expenditure. In 2011-12, expenditure was separated between programme and administration expenditure in accordance with the Treasury's administrative cost regime, as described in the *Financial Reporting Manual (FReM 11.3.3)*<sup>1</sup>. Programme expenditure is chiefly associated with the delivery of frontline service and includes certain staff and information systems costs. Administration expenditure contains all other expenditure, including other costs relating to regulatory activities.

To give a comparison, Ofqual's income and expenditure for 2010-11 has been restated showing an administration and programme split in the 2011-12 Accounts.

## **Management commentary**

Our work is important because qualifications and assessments recognise and help to encourage the achievements of young people and adults. It is important that these qualifications and assessments do not become ends in themselves, though. We want to find ways through our regulatory approach to reduce teaching to the test, so that teachers can focus on true learning that prepares their students for further learning or employment.

If people can see that we are open and honest (including when things go wrong), they are more likely to trust us. And if people trust us, they are more likely to have confidence in the qualifications and assessments that we regulate. To reinforce this

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<sup>1</sup> [www.hm-treasury.gov.uk/frem\\_manual\\_2011\\_12.htm](http://www.hm-treasury.gov.uk/frem_manual_2011_12.htm)

accountability, we have appeared in front of select committees in both London and Belfast in the last year, and we fully expect to do so again in the coming year.

2011-12 was a busy and challenging year for Ofqual. Here we highlight five areas of our work.

First, we focused heavily on our top priority: standards. We put in place new approaches to tackle grade inflation, which were successful when GCSE and A level results were announced in summer 2011. We launched a high-profile debate about standards in October, to help with our plans to strengthen the next generation of GCSEs and A levels. We took a number of specific short-term actions to strengthen GCSEs. And we prepared a report<sup>2</sup>, which was published in May 2012, comparing A levels with similar qualifications overseas, reflecting our new international objective.

Second, we have responded to events. During the year there were some high-profile problems with qualifications. In summer 2011, there was an unacceptably high number of errors in exam papers. Our report into the root causes of the errors was published in December 2011. Also in December, allegations were made that teachers were getting advance information about exams from seminars they attended. We published an interim report into these allegations just before Christmas, and published our final report and decisions on the future of seminars<sup>3</sup> in April 2012.

Third, we have been putting in place the foundations of our new regulatory approach. We expect awarding organisations to take responsibility for the qualifications they offer – we cannot monitor every qualification in detail. We set out the requirements awarding organisations must meet, and asked them to check whether they do. We can take action where our requirements are not met including, where appropriate, using our new power to fine. We have also begun a piece of work to consider how we can regulate for a healthy market in qualifications.

Fourth, we have been developing Ofqual itself. If we are to deliver the ambitious plans that we have – and meet the high expectations of others – we need to build our capability and capacity as an organisation. We are currently going through a significant programme of change that will achieve this.

Finally, we have sought to work closely with those who have an interest in qualifications. Ministers, Parliament, schools, colleges, employers, universities, students and other regulators all have views about the qualifications we regulate.

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<sup>2</sup> [www.ofqual.gov.uk/news-and-announcements/83/899](http://www.ofqual.gov.uk/news-and-announcements/83/899)

<sup>3</sup> [www.ofqual.gov.uk/news-and-announcements/83/885](http://www.ofqual.gov.uk/news-and-announcements/83/885)

From our discussions it is clear that people think there is a lot to be done to improve qualifications, and we agree. These conversations helped inform our first Corporate Plan<sup>4</sup> covering the period 2012-15, which we recently published. You can read our plan alongside the Annual Report and Accounts to see how we have developed our thinking in the light of the issues and challenges over the last year.

## Principal activities

This section sets out more detail about Ofqual's key activities during 2011-12.

2011-12 was our second year as a statutory regulator, and we continued to build on the foundations of our new regulatory arrangements. Under the leadership of a new Chief Executive and Chair, we started to rethink our approach to our work on standards and the market. We have started to reshape the organisation so that we will have the capacity and the skills to deliver our objectives.

### Getting the foundations in place

Our *General Conditions of Recognition*<sup>5</sup> are at the core of our regulatory arrangements, and all regulated awarding organisations must meet them. Following extensive consultation, we published our new general conditions in May 2011, and they came into effect in July. They are different from, and in many cases more stringent than, the regulatory arrangements that existing awarding organisations had previously signed up to. We asked each awarding organisation to confirm it was compliant with these new conditions and to identify and address any areas of non-compliance by May 2012.

With the conditions in place, we continued to develop other key parts of our regulatory approach, including monitoring, guidance, risk, recognition and enforcement. We made good progress with each of these during the year, including the launch of our consultation on risk-based regulation in February. We have an accreditation requirement in the ASCL Act, where all qualifications subject to accreditation must be submitted by an awarding organisation and checked by us before they can be delivered. When we are confident an awarding organisation is compliant with our conditions of recognition we can consider lifting this accreditation requirement.

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<sup>4</sup> [www.ofqual.gov.uk/downloads/category/139-information?download=1404%3Acorporate-plan](http://www.ofqual.gov.uk/downloads/category/139-information?download=1404%3Acorporate-plan)

<sup>5</sup> [www.ofqual.gov.uk/downloads/category/123-criteria-general-conditions?download=1395%3Ageneral-conditions-of-recognition-may-2012](http://www.ofqual.gov.uk/downloads/category/123-criteria-general-conditions?download=1395%3Ageneral-conditions-of-recognition-may-2012)



Our work to put in place a more robust regulatory framework is already having an impact: we have now issued one statutory direction and agreed five formal undertakings with awarding organisations<sup>6</sup>, and three awarding organisations surrendered their recognition. We make no apology for setting the bar high for those who want to offer regulated qualifications because providing high-quality qualifications is challenging. We make our recognition decisions based on our recognition criteria. This means that only awarding organisations that have proved themselves can award qualifications that we regulate.

Our new Chief Executive, Glenys Stacey, took up post in March 2011, and our new Chair, Amanda Spielman, started in July. The Education Act 2011 transferred the title of Chief Regulator from the Chair to the Chief Executive, and Glenys Stacey was confirmed as the new Chief Regulator in April 2012 following a successful pre-appointment hearing. In April 2012, the Secretary of State also confirmed the appointment of five new members of our Board<sup>7</sup>.

With new leadership and new regulatory arrangements in place, it was clear that we did not have the right structure, the capacity or the full range of skills that we needed to be the regulator we want to be. We are restructuring and developing Ofqual. Our ambition is to regulate in a strategic, risk-based and focused way that keeps standards at the centre of what we do.

### **Rethinking our approach**

As a new regulator, we have set out new approaches in 2011-12.

We launched our new look at standards at a major conference in London in October. We wanted to acknowledge and explore some of the public concerns about changes in qualification standards. If we are open and honest when there are problems, we can tackle them successfully and build public confidence into our approach and the qualifications and assessment system. This approach has been considered by our new Standards Advisory Group<sup>8</sup>, which we established in March 2012. Putting our new approach into practice, we uncovered and reported on significant concerns about standards in a number of GCSEs in geography, English literature, history and

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<sup>6</sup> [www.ofqual.gov.uk/news-and-announcements/83/878](http://www.ofqual.gov.uk/news-and-announcements/83/878)

<sup>7</sup> [www.ofqual.gov.uk/news-and-announcements/83/879](http://www.ofqual.gov.uk/news-and-announcements/83/879)

<sup>8</sup> [www.ofqual.gov.uk/news-and-announcements/83-news-and-announcements-news/869-standards-advisory-group](http://www.ofqual.gov.uk/news-and-announcements/83-news-and-announcements-news/869-standards-advisory-group)

mathematics<sup>9</sup>. We have required the exam boards responsible to strengthen these subjects.

The amendment to our qualifications standards objective in the Education Act 2011 requires us to take account of standards in international qualifications. We started our work on this by undertaking a major piece of work comparing A levels with qualifications of a similar level available in other jurisdictions. We published the summary report<sup>10</sup> of this work in May 2012. We will use our findings to inform the development of A levels, and to consider the implications for standards over time.

### **Healthy Markets**

In November we launched our Healthy Markets programme to investigate various aspects of the qualifications market. The information gathered will help us to consider how we need to develop our regulatory arrangements to secure standards and value for money. This work was welcomed by Ministers who set out their policy priorities for us to consider with them.

Our *Annual Qualifications Market Report*<sup>11</sup>, published in May 2012, brings a range of financial information together in a single document, providing an overview of the activity, scale and players within the qualification market. Most immediately we are looking at potential conflicts of interests for awarding organisations. Key examples of risk are the endorsement of textbooks and other resources, and the wider risk presented by awarding organisation business models and activities linked to their qualification awarding.

Our Healthy Markets work will also inform our developing approach to regulating vocational qualifications. It will give us a better understanding of the incentives in the market to provide vocational qualifications that are consistently fit for purpose and meet the requirements of employers and other users. Subsequent to this announcement, the Education Select Committee has also been considering the operation of the market for school qualifications. Our Director of Standards joined our Chief Executive to give evidence to the Committee in December 2011 and our Chair and Chief Executive gave further evidence to the Committee in March 2012.

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<sup>9</sup> [www.ofqual.gov.uk/news-and-announcements/83/854](http://www.ofqual.gov.uk/news-and-announcements/83/854)

<sup>10</sup> [www.ofqual.gov.uk/downloads/category/96-international-comparability?download=1403%3Ainternational-comparability-summary-report](http://www.ofqual.gov.uk/downloads/category/96-international-comparability?download=1403%3Ainternational-comparability-summary-report)

<sup>11</sup> [www.ofqual.gov.uk/downloads/category/99-market-reports?download=1401%3Aannual-qualifications-market-report-2012](http://www.ofqual.gov.uk/downloads/category/99-market-reports?download=1401%3Aannual-qualifications-market-report-2012)

## Ministerial interest

Ministers in England and Northern Ireland continue to take a close interest in qualifications issues. A regulation review was launched in Northern Ireland by the Department for Employment and Learning (DEL) and the Department of Education (DE), to consider whether current arrangements should change, and we have been contributing to that review. We also work closely with colleagues in the Welsh Assembly Government.

In England, Ministers asked us to make some short-term changes to strengthen GCSEs<sup>12</sup>. In autumn 2011, we consulted on proposals to introduce additional marks for spelling, punctuation and grammar in key GCSEs, and in England to require 'terminal assessment' so that students take exams only at the end of the course rather than at the end of each unit. These changes will be introduced in September 2012.

We have also been working with the Department for Education (DfE) on the longer-term programmes to reform GCSEs and A levels. We have been exploring with Ministers the options for giving universities more responsibility for the content of A levels, so that they reflect more clearly the needs of a key user of these qualifications. We have also worked with the DfE to minimise the burden on schools and colleges from the changes to performance tables resulting from Alison Wolf's review of vocational education<sup>13</sup> published in March 2011.

We have taken a keen interest in the standards issues and the risks raised by the reforms to statutory National Curriculum assessments. Most notable are the Year 1 phonics tests and changes resulting from the Bew<sup>14</sup> and Tickell<sup>15</sup> reviews.

## Errors and seminars

There have always been errors in exam papers, and given the size of the system, it is probable that there always will be. Last summer, by early June 2011, there had already been more errors than normal for a summer exam series. Some of these errors were serious, making it impossible to answer questions, and it was inexcusable that they had not been discovered before candidates sat the exams. The errors were causing alarm and anger among candidates, they were draining public

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<sup>12</sup> [www.ofqual.gov.uk/news-and-announcements/128/823](http://www.ofqual.gov.uk/news-and-announcements/128/823)

<sup>13</sup> [www.education.gov.uk/publications/eOrderingDownload/The%20Wolf%20Report.pdf](http://www.education.gov.uk/publications/eOrderingDownload/The%20Wolf%20Report.pdf)

<sup>14</sup> [www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00068-2011](http://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00068-2011)

<sup>15</sup> [www.education.gov.uk/tickellreview](http://www.education.gov.uk/tickellreview)

confidence in the system and we were worried that these errors resulted from a systemic problem. We took urgent action, which included getting assurances from the exam boards<sup>16</sup> that the exams still to be sat had been fully checked and making sure that no candidate was unfairly advantaged or disadvantaged because of an error. We published a final report in December 2011<sup>17</sup>.

Education Ministers in England felt that our ability to respond to the errors was hampered by the lack of sufficient statutory powers. Following discussions with us, and pressure during the Lords Committee stage of the Education Bill in July, they decided to introduce into the Bill additional powers for us: notably, the power to fine. We launched a consultation in January 2012 on how we proposed to use these new powers<sup>18</sup>. The new powers came into force at the beginning of May 2012.

In early December, there was a media investigation into seminars organised by exam boards for teachers. In a small number of cases, examiners were filmed revealing inappropriate information about the content of future exams. We did a rapid regulatory investigation and produced an initial report before Christmas<sup>19</sup>. One exam paper due for the January series was found to be compromised and was postponed.

Following further consideration of the wider issues raised about seminars in the context of our Healthy Markets work, in April 2012 we announced new rules on teacher seminars<sup>20</sup>. These make sure that schools and teachers have access to the information they need without the risk of those who set the questions sharing privileged information.

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<sup>16</sup> 'exam boards' in this document refers to the group of awarding organisations that offer GCSEs, AS levels and A levels.

<sup>17</sup> <http://www.ofqual.gov.uk/files/2011-12-20-inquiry-into-examination-errors-summer-2011-final-report.pdf>

<sup>18</sup> <http://comment.ofqual.gov.uk/taking-regulatory-action>

<sup>19</sup> [www.ofqual.gov.uk/files/2011-12-20-inquiry-into-examination-errors-summer-2011-final-report.pdf](http://www.ofqual.gov.uk/files/2011-12-20-inquiry-into-examination-errors-summer-2011-final-report.pdf)

<sup>20</sup> [www.ofqual.gov.uk/news-and-announcements/83/885](http://www.ofqual.gov.uk/news-and-announcements/83/885)

## Departmental data reporting tables

These tables provide an analysis of our expenditure in resource terms. They show the resources we consumed, our capital investment and our expenditure by country and region.

### Table 1: Public spending

This table summarises our expenditure from 2008-09, when we were first created in interim form as part of QCA, to 2011-12, and the expenditure budgeted for the three spending review years 2012-15.

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Planned £000	2013-14 Planned £000	2014-15 Planned £000
<b>Consumption of resources</b>							
<i>Regulation of qualifications</i>	13,317	18,651	15,268	16,132	17,092	16,387	15,717
<b>Total resource DEL</b>	<b>13,317</b>	<b>18,651</b>	<b>15,268</b>	<b>16,132</b>	<b>17,092</b>	<b>16,387</b>	<b>15,717</b>
Resource AME							
<i>Regulation of qualifications</i>	0	0	0	0	0	0	0
<b>Total resource</b>	<b>13,317</b>	<b>18,651</b>	<b>15,268</b>	<b>16,132</b>	<b>17,092</b>	<b>16,387</b>	<b>15,717</b>
<b>Capital spending</b>							
<i>Regulation of qualifications</i>	96	1,016	2,876	602	100	100	100
<b>Total capital</b>	<b>96</b>	<b>1,016</b>	<b>2,876</b>	<b>602</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>of which</i>							
Capital DEL	0	0	2,876	602	100	100	100
<b>Total public spending</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>	<b>17,192</b>	<b>16,487</b>	<b>15,817</b>

#### Notes:

- Total public spending is the total of resource and capital expenditure less depreciation.
- Our establishment on 1 April 2010 was treated as a Machinery of Government Change and the 2008-09 and 2009-10 figures (included for comparison), were supplied by QCDA who extracted them from their statements of account. 2009-10 expenditure includes both transitional and set-up costs.

**Table 2: Public spending control**

This table reconciles our expenditure in 2011-12 with our budgetary control limits.

	2011-12	2010-11
	£000	£000
Net resource (estimates)	18,106	17,300
Net operating cost (accounts)	16,132	15,268
Net resource outturn (accounts)	16,132	15,268
Net resource budget (budget)	18,106	17,300
Net Underspend	1,974	2,032

## Notes:

- Parliament provides legal authority to incur expenditure through the estimates and supply procedure. Parliament grants statutory authority for both the consumption of resources and for cash to be drawn from the Consolidated Fund by the Consolidated Fund Acts and by an annual Appropriation Act. The Main Estimates start the Supply Procedure and are presented by HM Treasury around the start of the financial year to which they relate. HM Treasury presents, alongside the Main Estimates, a set of supplementary budgetary information tables reconciling the Estimates to Departmental Report tables.
- The Main Estimate is published at the beginning of the financial year. Details of all Estimates can be found on HM Treasury's website<sup>21</sup>.

**Significant variances against estimate**

Ofqual was established as the Cabinet Office introduced expenditure controls as part of the Government's wider economic programme. These continue to apply and, in 2011-12, had the effect of preventing and delaying expenditure resulting in the £1.97m variance against the estimate. The majority of this variance resulted from lower staff costs than budgeted as these controls slowed the recruitment of staff to Ofqual's agreed staff complement.

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<sup>21</sup> [www.hm-treasury.gov.uk/psr\\_estimates\\_index.htm](http://www.hm-treasury.gov.uk/psr_estimates_index.htm)

**Table 3: Capital employed**

This table shows the capital we have employed and plan to employ

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Planned £000	2013-14 Planned £000	2014-15 Planned £000
<b>Assets and liabilities on the statement of financial position at end of year</b>							
Non current assets:							
Property, plant and equipment	81	996	3,135	243	200	160	120
of which IT			364	243	200	160	120
Intangible assets	7	115	3,499	3,034	2,300	1,550	800
Current assets	39	99	996	845	630	680	700
Current liabilities (less than one year)	(1,386)	(2,570)	(2,474)	(2,413)	(2,300)	(2,200)	(2,150)
Provisions	0	0	0	0	0	0	0
<b>Total capital employed</b>	<b>(1,266)</b>	<b>(1,475)</b>	<b>2,021</b>	<b>1,709</b>	<b>830</b>	<b>190</b>	<b>(530)</b>

Note:

The movement in capital employed reflects our reduced future years capital allocation

**Table 4: Programme and administration expenditure**

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Planned £000	2013-14 Planned £000	2014-15 Planned £000
<b>Programme:</b>							
<b>Expenditure</b>							
Pay	0	0	51	51	0	0	0
Other expenditure	0	0	1,373	2,368	3,112	917	872
<b>Total expenditure</b>	<b>0</b>	<b>0</b>	<b>1,424</b>	<b>2,419</b>	<b>3,112</b>	<b>917</b>	<b>872</b>
Income	0	0	0	0	0	0	0
<b>Total programme expenditure &amp; budgeted</b>	<b>0</b>	<b>0</b>	<b>1,424</b>	<b>2,419</b>	<b>3,112</b>	<b>917</b>	<b>872</b>
<b>Administration:</b>							
<b>Expenditure</b>							
Pay	0	0	0	9,617	9,866	11,024	11,135
Other expenditure	0	0	0	4,626	5,605	5,893	5,112
<b>Total expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,243</b>	<b>15,471</b>	<b>16,917</b>	<b>16,247</b>
Income	0	0	0	(530)	(525)	(530)	(530)
<b>Total administrative expenditure &amp; budgeted</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,713</b>	<b>14,946</b>	<b>16,387</b>	<b>15,717</b>
<b>Grand total</b>	<b>0</b>	<b>0</b>	<b>1,424</b>	<b>16,132</b>	<b>18,058</b>	<b>17,304</b>	<b>16,589</b>

Note:

In 2010-11, all expenditure was classified as programme expenditure by HM Treasury. For 2011-12 and beyond, we are subject to the Administrative Cost Regime, which requires expenditure to be split between programme and administration expenditure in accordance with the *Financial Reporting Manual (FReM 11.3.3)*. Table 4 shows the programme and administration outturns for 2011-12 and the budgets for the three years to 2014-15.

**Table 5: Staff, temporary staff and consultants**

	2010-11 Number	2011-12 Number
Senior civil service		
Payband 3	0	0
Payband 2	1	1
Payband 1	4	3
	5	4
Civil servants	155	160
<b>Total civil servants</b>	<b>160</b>	<b>164</b>
Temporary staff	20	4
Consultants	4	5
<b>Total</b>	<b>184</b>	<b>173</b>

## Notes:

- The figures show the number of people directly contributing to our activities at 31 March 2012. They include employees, temporary staff and consultants. Note 7.2 to the Accounts states the average number of staff employed during the year.
- Our salary bands were inherited from QCA, our predecessor organisation, and do not align with the Civil Service salary bands. To enable a comparison to be made with senior civil service bands, the Chief Executive and the Directors are assigned to the civil service equivalent.
- In the year to 31 March 2012, Ofqual spent £234k (2010-11: £248k) on consultancy and £581k (2010-11: £1,520k) on temporary staff.

**Table 6: Identifiable expenditure on services by country and region**

	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
England	12,887	19,071	17,598	16,220
Scotland	0	0	0	0
Wales	0	0	15	22
Northern Ireland	526	596	531	492
<b>Total UK identifiable expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>
Outside UK	0	0	0	0
<b>Total identifiable expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>
Non-identifiable expenditure	0	0	0	0
<b>Total expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>



Note:

- Our expenditure in Northern Ireland relates to expenditure on staff and accommodation for our office in Belfast. All other expenditure, including other regulatory expenditure for Northern Ireland, is incurred in England.

**Table 7: Identifiable expenditure on services by country per head and region per head**

As our expenditure equates to less than £1 per person, this table has been omitted.

**Table 8: Spending by function or programme by country and region**

	Function / Programme 1 2010-11 £000	Function / Programme 1 2011-12 £000
England	17,598	16,220
Scotland	0	0
Wales	15	22
Northern Ireland	531	492
<b>Total UK identifiable expenditure</b>	<b>18,144</b>	<b>16,734</b>
Outside UK	0	0
<b>Total identifiable expenditure</b>	<b>18,144</b>	<b>16,734</b>
Non-identifiable expenditure	0	0
<b>Total expenditure</b>	<b>18,144</b>	<b>16,734</b>

**Going concern**

In common with other government departments, the future financing of Ofqual's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Ofqual's planned and agreed expenditure with HM Treasury for the three years 2012-15 is shown in Table 1 (Public Spending), and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

## Performance

We assess the extent to which we have met our statutory objectives<sup>22</sup>.

### Statutory objective 1: the qualifications standards objective

#### Assessment

We concluded our first international comparability study that focused on A levels and their equivalents in other countries.

We have started work to reform GCSEs and A levels as set out in the 2010 White Paper<sup>23</sup>. In October 2011, we commissioned research – now published – to see how well A levels currently prepare students for higher levels of study and to give us details of any specific concerns. We have also made short-term changes to GCSEs, to take effect from September 2012, to include the assessment of spelling, punctuation and grammar, and to schedule exams so they are taken only at the end of the course.

We worked to tackle ‘grade inflation’ for the summer 2011 awards. We saw the proportion of A level students achieving grade A\* or A stabilise at 27 per cent, and there have now been no increases since 2010 in the proportion of higher grades awarded in new unitised GCSEs.

We monitored a sample of these first unitised GCSEs and found that generally they were of the right quality. However, we did identify areas of concern with the breadth and depth of study required in English literature, geography and history. We made clear to the exam boards that they should develop new GCSEs in these subjects to address our concerns.

In October 2011 we hosted ‘A New Look at Standards’, a conference taking a fresh look to identify the issues surrounding our agenda. The debate is informing our work in developing and strengthening standards over the next two years.

As part of our comparability work, we looked at a range of level two science qualifications comparing the new Cambridge Pre-U with A levels. We will report on both those studies later in 2012. We also compared pass standards across functional skills mathematics qualifications and we looked at the standards in level three hairdressing qualifications.

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<sup>22</sup> See page 3.

<sup>23</sup> [www.education.gov.uk/publications/standard/publicationdetail/page1/CM%207980](http://www.education.gov.uk/publications/standard/publicationdetail/page1/CM%207980)

We continued our standards over time programme to review how the current GCSEs compare with previous versions. We published seven reports in May 2012. Our investigation of the reliability of qualifications, exams and test results was marked by the publication of our *Reliability Compendium*, containing 20 reports from the programme. Work on validity has now begun (validity being the extent to which evidence and theory support the interpretation that the assessment outcomes meet their intended uses).

We have published a document setting out where reasonable adjustments should not be made in order to maintain qualification standards and integrity. This should help provide greater clarity and certainty in the system for both candidates and exam centres.

## **Statutory objective 2: The assessment standards objective**

### ***Assessment***

We published our Regulatory Framework for National Assessments in February 2011 and have used it to review existing assessments and the substantial amount of change that is taking place in the system. It informed our annual report on the 2010-11 National Assessment cycle, which covered arrangements across the whole 3 to 14 age range.

The national review of the Early Years Foundation Stage led by Dame Clare Tickell proposed a simplified approach to the assessment of pupils at age five. The new framework comes into force in September 2012 and we have been closely monitoring the piloting and development of a revised moderation process as part of this.

A phonics screening check for six-year-olds was piloted in the summer of 2011. Our Regulatory Framework provided the developers of the check with very helpful guidance on clarifying the purpose and intended uses of the assessment and on the range of evidence we need to see to carry out our regulatory work. The standard has been set and we will continue to review the early implementation of the check.

Following a review of Key Stage 2 assessment by Lord Bew, changes were introduced to arrangements for 2012. Our review work has focused on new features and on schools' understanding of the changes and local authorities' capacity to fulfil additional statutory requirements.

In October 2011, all existing responsibilities for developing and delivering statutory assessment passed from the QCDA to the Standards Testing Agency, a new

executive agency of the DfE. We have agreed ways of working together and will review these during 2012-13.

### **Statutory objective 3: The public confidence objective**

#### ***Assessment***

We consider the public confidence objective to be work in progress. Our key measure of confidence is the annual survey of public attitudes to GCSEs and A levels. Through this survey and our engagement with users and deliverers of qualifications, we know there are concerns about the qualifications system and we share some of those concerns. Our strategy for building confidence, as set out in our newly published Corporate Plan, is to acknowledge the concerns, talk openly about how we are dealing with them and allow people to see improvements. We know that this will take time, and it will require us to be visible, transparent and ready to tackle uncomfortable issues.

The standards debate in October 2011 was an important part of our plan to build confidence during the year. For the first time, we openly debated standards and invited challenge. In the short term, there is a risk that this approach will damage confidence, but over time we believe it will be of benefit if people can see that we are open about concerns.

Since the standards debate we have sought to make sure people understand the actions we have in hand to tackle the concerns expressed. We also need people to see that we are carrying out our core functions effectively – for example, our reviews and reports on standards issues, our investigations and appeals functions, and our work to build a robust regulatory framework that makes full use of our powers. Each of these functions has delivered successfully during the year,

We also responded to high profile problems with the exams system this year, in particular the media allegations about seminars and the exam paper errors in the summer. Rather than play down the concerns these raised, we acknowledged them and launched regulatory inquiries, and we have continued to publish information about our ongoing responses. We might have expected that public confidence would be hit by the problems this year, and that it would take several years of focused regulatory effort to rebuild confidence. The annual survey does not back up this assumption, as there was a small, year-on-year increase in the level of confidence in GCSEs among the general public. However, the fieldwork for this was already underway when the media allegations were published, so it is hard to draw a firm conclusion.

The results of the 2011 survey were published in March 2012.

Key findings for A levels were:

- confidence among A level teachers remains stable (81 per cent compared with 76 per cent in 2010) and the proportion of parents reporting more confidence in the A level system than a few years ago is unchanged.
- students (94 per cent in 2011) and teachers (92 per cent in 2011) both think that A levels are important qualifications to have.
- the majority of A level teachers are confident in the accuracy and quality of marking of A level papers (73 per cent), while just over three quarters (76 per cent) of students agree that A level students get the grade their performance deserves.
- there has been an increase to 75% in the proportion of parents who feel the A\* grade, which was first awarded in 2010, will help universities to identify top students.

Key findings for GCSEs were:

- teachers' confidence in GCSEs has remained static. There has, however, been an increase in confidence among students (51 per cent in 2011 compared with 38 per cent in 2010).
- there has been a negative shift in the opinion of teachers about the reliability of GCSE grading, with the proportion saying all or most students get the right grade falling from 86 per cent in 2010 to 77 per cent in 2011.
- the most commonly cited concern about GCSEs among GCSE teachers relates to controlled assessment (18 per cent mentioned this as a concern).
- the proportion of teachers who say they have to rely on enquiries about results services to get accurate results for their students is consistent with previous years.

Other findings:

- there has been an increase in teachers' awareness of Ofqual since 2010 (76 per cent in 2011 compared with 64 per cent in 2010).

- opinion towards the comparability of vocational qualifications to academic qualifications is mixed. Teachers are more likely to disagree than agree (59 per cent versus 25 per cent) that vocational qualifications are of an equal status to traditional academic qualifications.

These themes, along with others, are reflected in our Corporate Plan for the next three years.

#### **Statutory objective 4: The awareness objective**

##### **Assessment**

Many of the points noted above about the confidence objective also contribute to the awareness objective.

Our website contains a lot of information about qualifications including:

- the Register of Regulated Qualifications<sup>24</sup>
- information on the regulated qualifications system and the range of qualifications available<sup>25</sup>.

We are continuing to speak with a wide range of bodies, including representatives of higher education and employers, to understand their needs and build their knowledge of the system.

We have had a number of applications for recognition from awarding organisations under our new recognition criteria, and one has now met the criteria for recognition in 2011-12.

As with the confidence objective, we consider the awareness objective to be work in progress. We want those who engage with the system – as users, learners, purchasers or providers of qualifications – to understand it, so that they can make informed decisions about qualifications. This means that they need ready access to trustworthy information. Our Corporate Plan details further work in this area, including a commitment to develop our website so that it becomes the best source of information on standards and on regulated qualifications, to meet with the needs of users and potential users of qualifications.

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<sup>24</sup> <http://register.ofqual.gov.uk/>

<sup>25</sup> [www.ofqual.gov.uk/qualifications-assessments](http://www.ofqual.gov.uk/qualifications-assessments)

## **Statutory objective 5: The efficiency objective**

### **Assessment**

We have begun work on understanding the health of the qualifications markets and identifying where to prioritise our activities to address market failure.

In November 2011, we wrote to Ministers in the DfE and the Department for Business Innovation and Skills (BIS) setting out our plans to assess the health of the qualification markets. This study will allow us to target our regulatory approach better and intervene only where the market is not working in the interest of learners and the end users of qualifications. We also began work designed to deal with immediate issues.

Examples of this work include:

- examining the role of text books and teacher events
- reviewing the impact of awarding organisations' activities beyond awarding connected activities, to identify the risks associated with these activities
- working with BIS to understand any concerns around the way the vocational market is operating and identify appropriate next steps.

We continue to work with other stakeholders to understand the implications of their initiatives and activities for our work.

We now have a programme of work that will enable us to present more detailed evidence on the purchasing behaviours of schools and colleges. We are working with the DfE (and others, such as the Association of Colleges) to identify the drivers of school and college spending on exam fees, including GCSEs and A levels, and how this spending might be reduced. This work will include gathering evidence to understand drivers such as increases in fees, late fees and switching. It will also consider other procurement issues including fee transparency and information that awarding organisations provide on their invoices. This will inform our future regulatory framework.

We provided evidence to the Education Select Committee on issues associated with the market model including whether there needs to be radical reform.

We are working with the Office of Fair Trading (OFT) to clarify how we will work together to tackle competition concerns given our respective powers. We provided



advice to the OFT when it was considering whether to refer the acquisition of EDI plc by Pearson to the Competition Commission.

## **Financial review**

Our Statement of Accounts, set out on pages 51-56, reports results for the year 1 April 2011 to 31 March 2012.

Our key cost drivers are the number of qualifications and awarding organisations we regulate, issues arising in these qualifications and with awarding organisations, changes in policy and other legislation and the actions we take to develop as a regulator.

We need to carry out the majority of our work ourselves and our costs are therefore predominantly staff costs. Staff costs constitute £9.7m or 60 per cent of 2011-12 expenditure (2010-11 £10.2m and 67 per cent), the decrease resulting from the departure of temporary staff who assisted with start-up activity in 2010-11 and slower recruitment of permanent staff to replace them in 2011-12 due to the Government's wider spending controls.

Other operational costs constituted £2.6m or 17 per cent of 2011-12 expenditure (2010-11 £2.2m and 15 per cent), and accommodation and IT costs constituted £2.9m or 19 per cent of expenditure (2010-11 £2.4m and 16 per cent). Notional and non-cash charges of £0.9m constituted the remaining 5 per cent of expenditure (2010-11 £0.4m and 3 per cent).

This cost profile and the changes in it between 2011-12 and 2010-11 reflect our activity to establish ourselves as a new organisation, and further changes will occur before we establish a consistent expenditure pattern.

This cost profile means that our costs are largely committed and cannot be changed quickly without additional costs being incurred to reduce them, or without a direct impact on activity levels and risk. It also shows our sensitivity to small changes in the resources available to us.

Our net operating costs in 2011-12 were £0.9m more than in 2010-11. The increase was primarily the result of a £0.6m reduction in income received from Northern Ireland and Wales, and the £0.4m cost of a full year's depreciation charged on the IT developed in 2010-11, offset by a net reduction of £0.1m in other costs.

During 2011-12, we continued to develop our financial systems and procedures to ensure activity is managed and reported to inform business decisions. During the



year, however, we spent £1.97m less than our resource estimate, the result primarily of the additional controls introduced by the Government as part of its wider policies to reduce public spending. These controls resulted in a slower rate of recruitment to our agreed complement than anticipated and the stopping of planned activities to promote awareness to support our statutory awareness objective.

Our Statement of Financial Position shows taxpayers' equity to be £1.7m at 31 March 2012. Non-current assets are all IT assets to provide the publically available register of qualifications, systems to help us regulate and other capabilities to support our activity. The changes in non-current assets during 2011-12 consist of software development of £0.6m to support our regulatory activity and the charging of a full year's depreciation and amortisation costs on the IT developed in 2010-11. Our current assets and liabilities all result from day-to-day business activity.

In preparing the Statement of Accounts for the year ending 31 March 2012, the principal judgements required have centred upon assessing the levels of accruals for commitments arising from such activity not invoiced at the year-end.

## **Other information in the public interest**

### **Performance in responding to enquires from the public**

We provide information and guidance to those we regulate, teachers, learners and the wider public. In 2011-12 we received 9,247 written queries from teachers, learners and the general public as well as 3,989 telephone enquiries.

### **Complaints to the Parliamentary Ombudsman**

One complaint was made to and accepted by the Parliamentary Ombudsman for investigation during 2011-12. As at 31 March 2012, this remained under investigation.

Full details of our complaints procedures can be found on our website [www.ofqual.gov.uk](http://www.ofqual.gov.uk)

### **Recruitment**

The Civil Service Order in Council 1995 provides the legal basis for our recruitment policies and the Civil Service Commission sets mandatory principles for recruitment.

As at 31 March 2012 we employed 170 whole time equivalent staff, compared to our agreed complement for the year of 182. Restrictions on recruitment continued during the year as part of the Government's wider expenditure control measures, which introduced significant delays in our ability to recruit our agreed complement.

## **Sickness absence**

We benchmark our sickness absence against the wider civil service.

A total of 247 days (on average 5.7 days per employee) were reported lost to sickness in 2011-12, compared to an average for the civil service as a whole of 8.3 days per employee.

## **Health and safety**

A Health and Safety Committee was established in July 2011 and a revised Health and Safety Policy was introduced in August. There was one reportable incident in the year.

## **Diversity and employment of disabled persons**

At 31 March 2012, 6.7 per cent of staff classified themselves as disabled, 21.2 per cent classified themselves to be from non-white British ethnic groups, and 62.4 per cent were female.

## **Corporate social responsibility**

We offer a 'give as you earn' payroll facility and encourage involvement in the communities in which members of staff live.

## **Publicity and advertising**

Planned expenditure on and activity related to publicity and advertising to support our awareness objective was cancelled following the Government's restrictions on paid-for advertising and marketing as part of its wider expenditure control measures.

## **Sustainability**

Our size means that we are not required to report on sustainability. Despite this, we include information to show that we take sustainability into account in carrying out our work:

- we have implemented a number of energy- and water-saving measures when refurbishing our Coventry office, including improving controls on our heating system and installing motion sensors for lighting.
- we have implemented more comprehensive travel procedures to better manage our travel and reduce its environmental impact.

- we negotiated a new facilities management contract (implemented in April 2012) that includes sustainability as a specific deliverable.

### **Sponsorship**

Ofqual does not provide sponsorship.

### **Payment of suppliers**

The standard terms of payment for all contracts are 30 days from receipt and agreement of a valid invoice except where different terms have been agreed with suppliers. During the year we have continued to pay all valid invoices for small and medium enterprises within ten days to assist their cash flow in accordance with the then Prime Minister's statement in the House of Commons in October 2008.

Payment of trade and other payables is reported on a creditor days basis. This is calculated as a proportion of the amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year. We paid all suppliers within an average of 15 creditor days in 2011-12. This includes small and medium enterprises as well as larger enterprises.

£25 was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2010-11: £91).

### **Pension liabilities**

The treatment of pension liabilities can be found in Note 7.3 and information on staff pension entitlements is provided in the Remuneration Report.

### **Future priorities: plans for 2012-13**

We published our first three-year Corporate Plan in May 2012. This reflects what schools, colleges, higher education, business and the Government have been telling us, and the findings from our own growing research and evidence base.

We are in a time of significant change for qualifications. We are clear in our role. Where the Government decides to make changes, we will continue to advise on the best way to implement these without undue risk to standards or delivery.

Our focus must be on making sure that qualifications, both academic and vocational, are of the right standard, and this focus will drive all we do. We aim to secure (and, where necessary, reset) the standards of qualifications and assessments, and

promote confidence in them. Much of our planned standards work in 2012-13 concerns GCSEs and A levels.

It is our role to manage grade inflation year on year. This will help to reverse the damage to public confidence that grade inflation has had on GCSEs and on A level results. We will also be talking to universities about their involvement in the development of A levels.

We will be building on our international A level work to compare GCSEs with similar assessments in other countries. We are implementing government policy to move to GCSE exams that take place at the end of the course, rather than at the end of each module, as well as the assessment of spelling, punctuation and grammar in selected GCSEs. We will be looking to strengthen GCSEs in selected subjects and review the usefulness of controlled assessment.

We are listening to the concerns being raised about standards in some vocational qualifications. We will be conducting a review of the way the Qualifications and Credit Framework (QCF) works for students, employers and those in further education, reviewing functional skills qualifications and improving our regulation of ESOL qualifications.

But we also know that exams and assessments are part of the wider education system and that they must support the best teaching and learning. We will play our part in making sure that is the case. Our plans to improve qualifications will result in increased confidence in the exams system and young people who are better prepared for their futures.

During 2012-13 we will be:

- continuing our programme of work on healthy markets, including a review of text books and other qualifications-related awarding organisation activities.
- putting in place restrictions on training events that relate directly to particular qualifications.
- developing new ways of working with employers to understand what they need from the qualifications market.

We can expect further change – in qualifications reform, in the market model for the provision of GCSEs and A levels in England, and to the National Curriculum in England. We will adapt our plans as necessary.

### **Events after the reporting period**

There have been no events after the reporting period requiring an adjustment to the financial statements. Neither have there been any non-adjusting events.

### **Auditor**

The Comptroller and Auditor General has been appointed to be our auditor and has charged a notional £50,000 for his audit in 2011-12.

As far as I am aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

Glenys Stacey

Accounting Officer for Ofqual

Date: 25 June 2012

## Remuneration report

### Part 1: Not subject to audit

#### Ministers

We are a non-ministerial government department. We report directly to Parliament, with scrutiny where appropriate from the relevant select committees. Where ministerial authority for decisions is required, or where a minister is required to answer for us in Parliament, we look to the Secretary of State for Education, whose remuneration is included in the Department for Education's Resource Accounts. We also work with the Department for Education and Learning, which has responsibility for vocational qualifications in Northern Ireland.

#### Ofqual

The remuneration, allowances and expenses of board members are determined by the Secretary of State for Education. The Board, with the approval of the Secretary of State appoints a chief executive and other members of staff, and determines their conditions of service.

#### Board members

Members are appointed for renewable terms of not more than five years. Board members may be removed from office if they become unable or unfit to carry out their duties, or if they are absent from meetings for a continuous period of more than six months without agreement.

#### The Chief Executive and directors

Directors and members of staff are civil servants, as was the Chief Executive during 2011-12. Civil service appointments are made in accordance with the Civil Service Commission's Recruitment Code, which requires appointments to be made on merit on the basis of fair and open competition, except for circumstances when appointments may otherwise be made.

The Education Act 2011 transferred the responsibilities and title of Chief Regulator from the Chair to the Chief Executive. Glenys Stacey was confirmed as the new Chief Regulator in April 2012. As Chief Executive, Glenys Stacey was an employee of Ofqual. On becoming Chief Regulator in April 2012, Glenys became an office holder.

Unless otherwise stated, the members of staff covered by this report hold appointments that are open-ended. Early termination, other than for misconduct,

could result in compensation being paid as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.gov.uk](http://www.civilservicecommission.gov.uk)

The Chief Regulator, members, Chief Executive and other directors are covered by the Civil Service Management Code, and potential and actual conflicts of interest are managed in accordance with this Code. Note 24.2 of the Statement of Accounts lists the directorships and other significant interests held by board members.

Ofqual maintains a Register of Interests that is open to the public and accessible by a written request for information addressed to the Ofqual Board Secretary.

### **Remuneration Policy**

The Chief Regulator and members' remuneration are determined by the Secretary of State for Education.

Directors are paid salaries in accordance with Ofqual's pay policy and pay band structure, which was established when Ofqual was part of QCA. We are proposing to review our Pay and Reward structure during 2012-13.

## Part 2: Subject to audit

### Remuneration (including salary) and pension entitlements

The following table details the remuneration and pension entitlements of members, the Chief Executive and senior management staff.

	Salary (as defined below)	Salary 2010-11	Real increase in pension and related lump sum at pension age	Total accrued pension at pension age as at 31 March 2012 and related lump sum	CETV at 31 March 2011	CETV at 31 March 2012	Real Increase in CETV
	£000	£000	£000	£000	£000	£000	£000
<b>Members</b>							
Amanda Spielman <i>Chair from 14 July 2011</i>	25-30 (35-40)	-	-	-	-	-	-
Sandra Burslem <i>Deputy Chair</i>	15-20	30-35 (35-40)	-	-	-	-	-
Tim Balcon	5-10	5-10	-	-	-	-	-
Ray Coughlin	5-10	5-10	-	-	-	-	-
Tanvi Davda	5-10	5-10	-	-	-	-	-
Gillian Easson	5-10	5-10	-	-	-	-	-
Philip Fletcher	5-10	5-10	-	-	-	-	-
Maggie Galliers	0	0	-	-	-	-	-
Denise Holt	5-10	5-10	-	-	-	-	-
Fay Scott <i>to 31 December 2011</i>	0-5 (5-10)	5-10	-	-	-	-	-
John Townsley	5-10	5-10	-	-	-	-	-
Neil Watts	5-10	5-10	-	-	-	-	-
<b>Senior Management Staff</b>							
Glenys Stacey <i>Chief Executive from 1 March 2011</i>	115-120*	5-10 (115-120)	0-2.5	5-10	130	171	26
Jeremy Benson <i>Director of Strategic Management from 25 October 2010 to 30 November 2011 and then Acting Director of Policy and Engagement from 1 December 2011</i>	80-85	35-40 (80-85)	2.5-5	20-25	188	232	27
Dennis Opposs <i>Director of Standards</i>	100-105	100-105	0 0 lump sum	45-50 140-145 lump sum	1005	1064	0
Fiona Pethick <i>Director of Regulation</i>	100-105	100-105	0 0 lump sum	35-40 105-110 lump sum	628	673	0
Francis Thomas <i>Director of Internal and External Affairs to 30 November 2011</i>	65-70 (95-100)	95-100***	0-2.5	0-5	21	41	15
David Robson <i>Acting Director of Corporate Affairs from 1 December 2011</i>	35-40** (105-110)	-	-	-	-	-	-
<b>The following Members and Senior Management Staff who served during 2010-11 are included for prior year comparative purposes</b>							
Kathleen Tattersall	-	15-20	-	-	-	-	-
Isabel Nisbet <i>Chief Executive to 28 February 2011</i>	-	120-125***	-	-	-	-	-
Matthew Lumby <i>Acting Director of Communications to 30 June 2010</i>	-	20-25	-	-	-	-	-
Steven Harrison <i>Head of Corporate Management to 31 March 2011</i>	-	65-70	-	-	-	-	-



Notes:

- Salary includes gross salary and other allowances subject to UK taxation.
- Full-year salary equivalents for those who served for part of the year are shown in brackets. The information for the increases in pension, total accrued pension and cash equivalent transfer value (CETV) were provided by Ofqual's Principal Civil Service Pension Scheme (PCSPS) pension service centre in accordance with calculations and in the format determined by the PCSPS and the Cabinet Office.
- The actuarial factors used to calculate the CETVs were changed in 2011-12 and the CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors for consistency. The CETV at 31 March 2011 therefore differs from that shown in last year's report, which was calculated using the previous factors.
- \* In addition to the salary shown above, Glenys Stacey received relocation expenses of £20,069, of which £12,069 was a benefit in kind.
- \*\* To show remuneration in the table on a comparable basis to other senior management staff, the costs of employer's national insurance and equivalent pension contributions for David Robson have been excluded from the total cost of £48,950.
- \*\*\* In 2010-11, in addition to the salaries detailed above, two Directors received benefits in kind. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. To the nearest £100, Isabel Nisbet received £14,100 benefits in kind, for living accommodation and travel, and Francis Thomas received £11,900 for relocation expenses.
- Potential staff bonuses for 2011-12 provided by civil service arrangements have yet to be authorised.

### **Hutton Fair Pay Review of Fair Pay in the Public Sector**

Following the Hutton Review of Fair Pay in the Public Sector<sup>26</sup>, we are required to disclose the relationship between the remuneration of our highest paid director and the median remuneration of members of staff.

Remuneration of the highest paid director in 2011-12 was in the band £140k–£145k, including relocation expenses (2010-11: £145k–£150k including benefit in kind). This

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<sup>26</sup> [www.hm-treasury.gov.uk/indreview\\_willhutton\\_fairpay.htm](http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm)

was 4.1 (2010-11: 4.3) times the median remuneration of members of staff: £34.5k (2010-11: £34.5k).

If one-off payments for relocation expenses and benefits in kind are excluded, the ratios would be 3.5 for 2011-12 and 3.9 for 2010-11.

The 2010-11 figures are based on the cumulative remuneration of the two Chief Executives during the year to provide a 12-month equivalent.

As shown in the Remuneration and pension entitlements table, the highest paid Director in both years was the Chief Executive, who was also the highest paid employee.

	2011-12	2010-11
Highest paid director total remuneration (Chief Executive) £000	140-145	145-150
Median total remuneration £	34,466	34,466
Ratio	4.1	4.3

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind and severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

### Pension benefits

Board members' positions are not pensionable. Pension benefits for members of staff are provided through civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (These Civil Service schemes are Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded, with employers' and employees' contributions being paid to the consolidated fund and the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are indexed annually in line with increases in the cost of living using specified indices. Scheme members joining a scheme since October 2002 have been able to opt for either the appropriate defined

benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution.

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for the classic scheme and 3.5 per cent for the premium, classic plus and nuvos schemes. Increases to employee contributions will apply from 1 April 2012.

Benefits in the classic scheme accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For members of the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service and unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per the classic scheme, and benefits for service since October 2002 calculated as the premium scheme.

In nuvos a member builds up a pension based on the 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the set index for the year.

In each scheme, members may opt to commute pension for a 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided death in service and ill-health retirement cover.

The accrued pension shown in the remuneration table is what 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 schemes, and 65 for members of the nuvos scheme.

Further details about Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk) .

### **Cash equivalent transfer value**

The cash equivalent transfer value (CETV) shown in the remuneration table is the actuarially assessed capitalised value of pension scheme benefits accrued by a member at 31 March 2012. The pension figures shown relate to the accrued benefits resulting from members' total years' membership of a pension scheme, not just their service in the current role to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the member has transferred to a civil service pension scheme. The figures also include pension benefits accrued to members as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from the Lifetime Allowance Tax, which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or 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.

### **Compensation for loss of office**

No compensation for loss of office was paid in 2011-12.

Glenys Stacey

Accounting Officer for Ofqual

Date: 25 June 2012

## Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofqual to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofqual and of its net resource outturn, resources applied to objectives, changes in the taxpayers' equity and cash flows for the financial year.

In preparing the accounts, Ofqual's Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Treasury, 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of Ofqual. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofqual's assets, are set out in *Managing Public Money* published by HM Treasury.

## Governance statement

The Chief Executive, as Ofqual's Accounting Officer, is responsible for the management and control of the resources used by Ofqual. This governance statement describes how these duties have been carried out in the course of the 2011-12 financial year.

### Governance structure

#### The Ofqual Board

The Apprenticeships, Skills, Children and Learning Act 2009 established Ofqual and set out the role, remit and composition of the Ofqual Board. The Board performs its functions to achieve its five statutory objectives:

- the qualifications standards objective
- the assessments standards objective
- the public confidence objective
- the awareness objective
- the efficiency objective.

The Board, during the 2011-12 financial year, consisted of a member appointed by Her Majesty by Order in Council to chair Ofqual, between seven and twelve Ordinary Members and the Chief Executive. In 2011-12, the Chair was also the Chief Regulator. From 1 April 2012, the role of Chief Regulator moved from the Chair to the Chief Executive in accordance with the Education Act 2011.

The Ordinary Members are appointed by the Secretary of State for Education for terms of no longer than five years. Existing board members may be reappointed as their terms expire, although there is no automatic right to this.

**The members and the committees they served on during the year**

Name	Date of appointment	Terms of appointment	Board meetings attendance record	Membership of Board Committees				
				Audit and Risk Committee	Finance Committee	Northern Ireland Committee	Remuneration and HR Committee	Standards Advisory Group
Amanda Spielman (Chair)	14 July 2011	3 years, to 13 July 2014	100%					✓ *
Sandra Burslem (Deputy Chair)	1 April 2010	3 years, to 31 March 2013	100%			✓		
Tim Balcon	1 April 2010	2 years, to 31 March 2012	78%		✓		✓	
Ray Coughlin	1 April 2010	4 years, to 31 March 2014	89%			✓ *		
Tanvi Davda	1 April 2010	4 years, to 31 March 2014 (resigned with effect from 31 March 2012)	66%	✓				
Gillian Easson	1 April 2010	4 years, to 31 March 2014 (resigned with effect from 31 March 2012)	78%	✓				
Philip Fletcher	1 April 2010	3 years, to 31 March 2013	66%	✓ *				
Maggie Galliers	1 April 2010	3 years, to 31 March 2013	78%			✓		
Denise Holt	1 April 2010	4 years, to 31 March 2014	89%				✓	
Fay Scott	1 April 2010	4 years, to 31 March 2014 (resigned with effect from 31 December 2011)	43%				✓	
John Townsley	1 April 2010	2 years, to 31 March 2012	66%	✓				
Neil Watts	1 April 2010	4 years, to 31 March 2014	89%		✓ *		✓ *	
Glenys Stacey (Chief Executive /Accounting Officer and from 1 April 2012, Chief Regulator)	1 March 2011	Permanent**	78%					✓

**Notes:**

\* Denotes Chair of Committee.

\*\* Glenys Stacey was initially appointed as an employee of the Board on a permanent, open-ended contract of employment. On assuming the post of Chief

Regulator on 1 April 2012, she became a Crown appointment for a term of five years beginning on the date on which she was appointed as Chief Executive of Ofqual, 1 March 2011, and ending on 29 February 2016.

Ofqual's Executive Directors are invited to attend meetings of the Board and, when appropriate its committees.

All Ofqual Board members, and members of Board committees, are required to declare any potential conflicts of interests on appointment and at the beginning of each meeting they attend. They must confirm that the register of their interests is up to date on an annual basis. The Register of Interests is open to the public, and requests for information should be made in writing addressed to Ofqual's Board Secretary. Where actual or potential conflicts of interests are identified, Board members take no part in any discussion and are not involved in any decisions that relate to those interests. During 2011-12, no Board members declared any directorships or other significant interests that may have conflicted with their Ofqual responsibilities.

The Ofqual Board had the following formal committees during the year ended 31 March 2012:

### ***The Audit and Risk Committee***

The Audit and Risk Committee is responsible for providing advice and assurance to the Accounting Officer and the Ofqual Board on the adequacy and effectiveness of internal controls, risk management processes and Ofqual's governance arrangements. It also oversees internal and external audit arrangements covering both financial and non-financial systems. The Committee normally meets four times a year, although the Chair of the Committee may call additional meetings as necessary.

The Audit and Risk Committee Chair provides a summary of the work of the Audit and Risk Committee to the Ofqual Board at each Board meeting. The Committee also provides an annual assessment of Ofqual's risk management and control processes.

The Audit and Risk Committee consists of four members of the Ofqual Board, supported by Trevor Robinson, an independent financially qualified member, who was appointed as a non-executive member in March 2011 for a term of four years.

The Chief Executive, as Accounting Officer, the Head of Finance, the Head of Corporate Services, the Director of Strategic Management (to 30 November 2011),



the Director of Corporate and Business Services (from 1 December 2011) and representatives of the internal and external auditors are invited to attend Committee meetings. Other members of Ofqual staff may be invited to support the Committee's consideration of particular items of business.

### ***The Remuneration and HR Committee***

This Committee was established to support Ofqual's establishment and development. It was dissolved in January 2012 and its remuneration duties transferred to a newly established Finance Committee, which met for the first time in April 2012.

The Remuneration and HR Committee considered matters relating to pay and conditions of employment, and provided strategic direction for Ofqual's human resources agenda.

The Remuneration and HR Committee Chair provided a summary of the work of the Committee to the Ofqual Board at each meeting.

The Committee consisted of four members of the Ofqual Board.

The Chief Executive, as Accounting Officer, the Director of Internal and External Affairs (to 30 November 2011), the Director of Corporate and Business Services (from 1 December 2011) and the Head of Human Resources were invited to attend Committee meetings.

### ***The Finance Committee***

The Board agreed to establish a Finance Committee in January 2012 and it held its first meeting in April 2012. It considers and advises the Board on all finance issues. The Finance Committee Chair will provide a summary of the work of the Committee to the Ofqual Board at each meeting.

The Finance Committee will meet at least three times a year and consists of up to four members of the Ofqual Board. Members of the Committee are not members of the Audit and Risk Committee.

The Chief Executive and the Director of Corporate and Business Services are invited to attend Committee meetings.

### ***The Regulation of Vocational Qualifications in Northern Ireland Committee***

The Regulation of Vocational Qualifications in Northern Ireland Committee, renamed the Northern Ireland Committee in January 2012, provides a forum for the discussion

of issues relating to vocational qualifications in Northern Ireland. It enables Ofqual to be better informed by Northern Ireland perspectives and to hear the views of stakeholders on emerging policies that impact on Northern Ireland.

The Committee Chair provides a summary of the work of the Committee to the Ofqual Board at each meeting.

The Committee consists of three members of the Ofqual Board (one of whom is the member appointed to the Board to represent the interests of Northern Ireland) and representatives from stakeholder groups (known as independent members). During 2011-12, the independent members of the Committee were Trevor Carson, Justin Edwards, Therese Rogan (appointed for three years from 1 November 2010), Catherine O'Mullan, Elsbeth Rae, Donna Sheerin (appointed for two years from 1 November 2010), Elizabeth Hall and Trevor Johnston (appointed for three years from 5 December 2011).

The Director of Regulation and the Head of Operations, Northern Ireland, are invited to attend Committee meetings. Other members of Ofqual staff are invited to support the Committee's consideration of particular items of business.

### ***The Standards Advisory Group***

The Standards Advisory Group was established as a committee of the Ofqual Board in December 2011. It supports the Board in its role relating to qualification and assessments standards. This includes, but is not limited to, matters concerning comparability between regulated qualifications, international comparisons, validity, reliability, predictability and setting standards.

The Advisory Group meets at least three times a year. It consists of between two and four members of the Ofqual Board and a pool of independent members. The independent members are appointed to bring specific expertise to the group and are usually called to attend only those meetings where their specific expertise is required.

One of the Ofqual Board members is nominated by the Ofqual Board to chair the Standards Advisory Group. During 2011-12, the independent members of the Group were Professor Jo-Anne Baird, Professor Paul Black, Professor Robert Coe, Professor Jannette Elwood, Dr Tina Isaacs, Jerry Jarvis, Sue Kirkham, Dr Paul Newton, Sarah Maughan, Dr Michelle Meadows, Professor Roger Murphy, Dr Alastair Pollitt, Professor Gordon Stobart, Professor Peter Tymms and Professor Alison Wolf. All were appointed from 23 March 2012 for one year.

Meetings of the Group are normally attended by the Director of Standards and Research, relevant senior members of the Standards and Research Directorate and the Board Secretary. Other members of staff may be asked to attend meetings as appropriate.

The Group may invite other individuals to attend meetings – for example, to hear a particular stakeholder’s point of view in a matter. The invitation may be for the entire meeting or for a specific item.

There was one meeting of the Standards Advisory Group during 2011-12.

Further details about the Ofqual Board and its committees can be found in the Ofqual Governance Framework available on Ofqual’s website<sup>27</sup>.

### **Committee reporting to the Board**

Each Committee reports on their work at the Board meeting following the Committee meeting. Highlights of Board committee reports, notably by the Audit and Risk Committee, during 2011-12 were:

- May 2011 – approval of the Internal Audit Plan for 2011-12
- May 2011 – endorsement of a revised Information Handling Policy
- September 2011 – agreement that the draft whistleblowing policy be presented to the Board at its next meeting for approval.

### **The Executive Board**

The Chief Executive is supported by an Executive Board that helps ensure effective strategic and corporate management, including risk management. The Executive Board meets at least monthly to consider performance and delivery of Ofqual’s strategic objectives.

Additionally, regular working groups and workshops discuss key strategic and operational issues, involving other colleagues as appropriate. Where urgent decisions need to be taken between meetings ad-hoc meetings may be arranged.

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<sup>27</sup> [www.ofqual.gov.uk](http://www.ofqual.gov.uk)

**Membership of the Executive Board during 2011-12**

<b>Name</b>	<b>Date of appointment to Ofqual</b>
Glenys Stacey, Chief Executive	1 March 2011
Fiona Pethick, Director of Regulation	1 April 2010
Dennis Opposs, Director of Standards	1 April 2010
Francis Thomas, Director of Internal and External Affairs (to 30 November 2011)	1 April 2010
Jeremy Benson, Director of Strategic Management (to 30 November 2011) then Acting Director of Policy and Engagement (from 1 December 2011)	25 October 2010
David Robson, Acting Director of Corporate and Business Services (from 1 December 2011)	1 December 2011

The work of the Executive Board is supplemented by a Wider Management Group, which includes all members of the Executive Group, all heads of service, and other staff invited to attend meetings to discuss specific items as appropriate.

**Risk management**

A function of Ofqual's governance structure is to ensure the effective management of risk. The Audit and Risk Committee supports the Ofqual Board in reviewing the comprehensiveness, reliability and integrity of Ofqual's internal controls and risk management processes.

**Board performance and its assessment of its own effectiveness**

In March 2012, Ofqual Board members considered the performance of the Board against the standards set out in the Corporate Governance Code<sup>28</sup>. The role, remit and composition of the Ofqual Board are defined in Schedule 9 of the Apprenticeships, Skills, Children and Learning Act 2009.

A performance review questionnaire was used which focused on five key areas: the focus on core business, trust and support, contribution and execution, engagement with stakeholders, and Board leadership. Key strengths that were identified from the questionnaire results analysis and in Board discussion were:

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<sup>28</sup> *Corporate Governance in Central Government Departments: Code of good practice 2011*, HM Treasury/Cabinet Office, July 2011

- the Board paid sufficient attention to the organisation's performance in delivering its strategic objectives
- the quantity and quality of information received by Board members helped them in their individual roles
- after a decision was made by the Board, it was clear who was responsible for implementing it, by when, and how and when the Board would be informed of progress.

Areas noted for development were:

- widening the Board's experience. (This has been addressed in the appointment of five new Board members in April 2012.)
- the Board should increase the attention it gives to stakeholders and communication. (The Chief Executive is now reflecting this in her reports to the Board.)

Where appropriate, Ofqual's corporate governance framework also follows the good practice set out in the Corporate Governance Code. The main differences are:

- the Ofqual Board is mainly made up of non-executive directors. The only executive member of the Ofqual Board is the Chief Executive (and Accounting Officer). This imbalance between non-executive directors to executive directors has been addressed by inviting executive directors to attend Board meetings.
- the Director of Strategic Management, whose responsibilities included finance, was not a qualified accountant. This has been addressed through the appointment of an Acting Director of Corporate and Business Services who is a qualified accountant, prior to the recruitment of a qualified accountant as a full time Director. The Acting Director has attended all Board meetings since taking on the role.

### **The assessment of risk**

If unaddressed, risks could limit or prevent Ofqual from achieving its statutory objectives, and it is essential that Ofqual manages these risks. Effective risk management allows Ofqual to:

- have increased confidence that it will achieve its strategic objectives
- focus its actions and efforts where they will have most effect

- provide a framework for decisions about what risks to manage and what risks to tolerate
- constrain threats to acceptable levels
- improve partnership working arrangements and corporate governance
- ensure that Ofqual maximises its opportunities and minimises the threats it faces to acceptable levels, thereby improving its ability to deliver priorities and improve outcomes.

Ofqual's risk management processes are designed to manage risk to a reasonable level, rather than to eliminate all risk. Therefore, the processes in place only provide a reasonable, rather than an absolute, assurance that risks are being managed effectively. Ofqual's approach to risk management is:

- comprehensive and embedded throughout the organisation
- to ensure risk management actions are proportionate to the level of risk faced by Ofqual and its risk appetite
- for the Ofqual Board to agree risk tolerance levels on a risk-by-risk basis. (The environment in which Ofqual functions results in risks that are outside its direct control, which may necessitate a higher tolerance level)
- to manage risks actively and review the risk management process regularly, so that it is responsive to changes in the environment. Risks are attributed to named individuals, who are accountable for managing the risks
- to keep the risk management process as simple and jargon-free as possible
- to align risk management with strategic objectives and make it integral to support management and business planning.

### **Reporting of risk**

The Executive Board considered the strategic risk register at its meeting each month during the year. This review included consideration of the controls in place to manage Ofqual's exposure to each risk. The Audit and Risk Committee reviewed Ofqual's strategic risk register, together with a directorate risk register, at each of its meetings during the year.

## **Information risk**

Ofqual works to comply with the mandatory requirements set out in the HMG Security Policy Framework issued by the Cabinet Office. This sets out the standards, best practice guidelines and approaches required to protect government assets (people, information and infrastructure). It focuses on the outcomes that are required to achieve a proportionate and risk-managed approach to security that enables government business to function effectively, safely and securely.

Ofqual follows the guidelines set out in the HMG Security Policy Framework to ensure that information is managed and safeguarded correctly throughout its life cycle. All Ofqual staff are made aware of these requirements, which are reinforced through mandatory information security training.

The Director of Strategic Management (from 1 April 2011 to 30 November 2011) and subsequently the Acting Director of Corporate and Business Services (from 1 December 2011 to 31 March 2012) were appointed by the Accounting Officer to be Ofqual's Senior Information Risk Officer (SIRO) responsible for ensuring that information risks are assessed and controlled to an acceptable level. The SIRO is supported by the Departmental Security Officer (the Head of Corporate Services).

The SIRO has confirmed to the Accounting Officer that an annual Security Risk Management Overview has been completed satisfactorily, and independently reviewed by Internal Audit. The SIRO has similarly confirmed to the Accounting Officer that, to his knowledge, there have not been any instances where these assets have been used inappropriately.

Ofqual has chosen to use the Information Assurance Maturity Model (IAMM) as its primary tool for assessing its compliance with the HMG Security Policy Framework and this has informed its Cabinet Office Security Risk Management Overview return. Key suppliers were assessed separately using a subset of the Supplier Information Assurance Framework (SIAF).

### **Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2011-12**

There have been no incidents to report to the Information Commissioner's Office during the year.

### **Summary of other protected personal data related incidents in 2011-12**

There have been no incidents recorded centrally within Ofqual during the year.



## **Internal Audit**

Ofqual's governance arrangements and risk management processes are supported by an internal audit function that reviews the procedures and controls in place to manage its most significant risks. An annual audit programme is developed focusing on Ofqual's major risks. Both the Executive Board and the Audit and Risk Committee are consulted in its development.

Internal Audit work to Government Internal Audit Standards. Reviews give views on the adequacy and effectiveness of Ofqual's system of internal control and recommendations for improvement. Where weaknesses in controls are identified, action is taken to strengthen the controls.

### **Effectiveness of the internal control framework**

The Chief Executive, as Accounting Officer, reviews the effectiveness of Ofqual's system of internal control on an annual basis. This review is informed by the work of the internal auditors; feedback from senior managers who have responsibility for the development and maintenance of the internal control framework; and comments made by the external auditors in their post-audit report and other papers. Any comments and recommendations made by the Education Select Committee are also taken into account. The Audit and Risk Committee provides advice on the implications of this review and monitors progress against the plan to tackle identified weaknesses to ensure the system of internal control is continuously improved.

Internal Audit conducted eight reviews during 2011-12. These reviews highlighted areas where improvements could be made, and steps have been taken to address their findings. Progress against audit recommendations is reported to the Executive Board on a monthly basis, and the Audit and Risk Committee reviews progress on the implementation when it meets.

The Head of Internal Audit provides an annual, independent opinion on the adequacy and effectiveness of Ofqual's governance, risk and control arrangements. The programme of work completed by Internal Audit has enabled the Head of Internal Audit to state in his report for 2011-12:

“Based upon the work we have completed and our findings, we believe that there is some risk that management's objectives may not have been fully achieved. Improvements are therefore required in some areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.”



“The number of internal audit findings for 2011-12 have reduced compared with 2010-11. The level of internal audit resource dedicated to individual reviews was similar to the prior year and therefore the direction of travel suggests that Ofqual has strengthened its systems of internal control, governance and risk management. Management should aim to continue in this direction whilst undergoing significant organisational change as a result of the Future Ofqual project.”

### **Risks identified during 2011-12**

In relation to the internal audit reviews concluded during the year, there was one critical rated report in respect of Business Continuity Management, following which a detailed action plan was instigated that is now substantially complete. Additionally, management are working through all other recommendations raised to further refine and enhance Ofqual’s systems of control.

### **The future of Ofqual**

A change programme was introduced in September 2011 to re-shape Ofqual to enable it to better deliver its statutory responsibilities, and this will continue well into the 2012-13 financial year. Ofqual has recognised and built on the capabilities it already has, and has taken the chance to build on its strengths and address areas of weakness. By restructuring the organisation to provide organisational capabilities and functions that support our three-year strategy and, through this change period, driving changes to leadership and management practices, we will be in a stronger position to deliver now and in future years.

Glenys Stacey

Accounting Officer for Ofqual

Date: 25 June 2012

## **The Certificate of the Comptroller and Auditor General to the House of Commons**

I certify that I have audited the financial statements of the Office of Qualifications and Examinations Regulation (Ofqual) for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Ofqual's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted

Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Ofqual's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Management Commentary, Departmental Data Reporting Tables and Future Priorities for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Date

## Statement of parliamentary supply

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

### 1. Summary of resource and capital outturn for 2011-12

This table shows the amounts approved in 2011-12 in accordance with Parliamentary Expenditure Limits.

	Note	Estimate 2011-12			Outturn 2011-12			2011-12	2010-11
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with estimate: saving	Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
Departmental expenditure limit									
- Resource	3	18,106	0	18,106	16,132	0	16,132	1,974	15,268
- Capital		700	0	700	602	0	602	98	2,876
Annually managed expenditure		0	0	0	0	0	0	0	0
Non-budget		0	0	0	0	0	0	0	0
<b>Total</b>		<b>18,806</b>	<b>0</b>	<b>18,806</b>	<b>16,734</b>	<b>0</b>	<b>16,734</b>	<b>2,072</b>	18,144

Ofqual requests resources to undertake its statutory duties as the regulator of qualifications, examinations and statutory assessments.

Departmental Expenditure Limits (DELs) cover all programme and administration costs.

Ofqual had no voted or non-voted Annually Managed Expenditure (AMEs).

## 2. Net cash requirement

	Note	2011-12			2010-11
		Estimate	Outturn	Outturn compared with estimate: saving	Outturn
		£000	£000	£000	£000
Net cash requirement	4	17,649	15,770	1,879	16,293

## 3. Administration costs 2011-12

2011-12		2010-11
Estimate	Outturn	Outturn
£000	£000	
15,089	13,713	13,843

All Ofqual expenditure in 2010-11 was classified as programme. From 2011-12 costs have been separated between programme and administration. Further detail is provided in Notes 1.2.4 and 8.

## 4. Variances

Explanations of variances between the estimate and the outturn are given in Note 2 and in the management commentary.

The notes on pages 57 to 76 form part of these accounts.

## Statement of comprehensive net expenditure

for the year ended 31 March 2012

	Note	2011-12			2010-11
		Staff costs £000	Other costs £000	Income £000	Restated Total £000
Programme costs:	8				
Staff costs		51	0	0	51
Direct costs		0	2,368	0	1,374
Income		0	0	0	0
		51	2,368	0	1,425
Administration costs:	8				
Staff costs		9,617	0	0	10,175
Other costs		0	4,626	0	4,799
Income		0	0	(530)	(1,131)
		9,617	4,626	(530)	13,843
<b>Net operating cost for the year ended 31 March 2012</b>	3	<b>9,668</b>	<b>6,994</b>	<b>(530)</b>	<b>15,268</b>
<b>Other comprehensive expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive expenditure for the year ended 31 March 2012</b>		<b>9,668</b>	<b>6,994</b>	<b>(530)</b>	<b>15,268</b>

In 2011-12 costs were separated into programme and administration expenditure in accordance with the Treasury's Administrative cost regime practice as described in the *Financial Reporting Manual (FReM 11.3.3)*. In the 2010-11 accounts all income and expenditure was classified as programme expenditure however, in the 2011-12 accounts the 2010-11 figures have been restated to show programme and administration expenditure for comparative purposes.

The notes on pages 57 to 76 form part of these accounts.

## Statement of financial position

as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	10	243		364	
Intangible assets	11	<u>3,034</u>		<u>3,135</u>	
<b>Total non-current assets</b>			<b>3,277</b>		3,499
<b>Current assets</b>					
Trade and other receivables	14	833		960	
Cash and cash equivalents	15	<u>12</u>		<u>36</u>	
<b>Total current assets</b>			<b>845</b>		996
<b>Total assets</b>			<b>4,122</b>		4,495
<b>Current liabilities</b>					
Trade and other payables	17	<u>(2,413)</u>		<u>(2,474)</u>	
<b>Total current liabilities</b>			<b>(2,413)</b>		(2,474)
<b>Total assets less current liabilities</b>			<b>1,709</b>		2,021
<b>Non-current liabilities</b>			<b>0</b>		0
<b>Assets less liabilities</b>			<b><u>1,709</u></b>		<u>2,021</u>
<b>Financed by:</b>					
<b>Taxpayers' equity</b>					
General fund			<u>1,709</u>		<u>2,021</u>
<b>Total taxpayers' equity</b>			<b><u>1,709</u></b>		<u>2,021</u>

Glenys Stacey

Accounting Officer for Ofqual

Date: 25 June 2012

The notes on pages 57 to 76 form part of these accounts.



## Statement of cash flows

for the year ended 31 March 2012

	2011-12	2010-11
Note	£000	£000
<b>Cash flows from operating activities</b>		
Net operating cost	16,132	15,268
Adjustment for non-cash transactions	8 (874)	(441)
Increase/(decrease) in trade and other receivables	(127)	861
(Increase)/decrease in trade payables	61	96
Movements in payables relating to items not passing through the statement of comprehensive net expenditure	(24)	36
<b>Net cash outflow from operating activities</b>	<b>15,168</b>	<b>15,820</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	10 0	324
Purchase of intangible assets	11 602	2,552
<b>Net cash outflow from investing activities</b>	<b>602</b>	<b>2,876</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year	15,746	16,329
Machinery of Government Transfer	0	2,470
Non Resource Machinery of Government Transfer	0	(67)
<b>Net financing</b>	<b>15,746</b>	<b>18,732</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>	<b>(24)</b>	<b>36</b>
Receipts/payments due to/due from the Consolidated Fund	0	0
<b>Total</b>	<b>(24)</b>	<b>36</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>(24)</b>	<b>36</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>36</b>

The notes on pages 57 to 76 form part of these accounts.

## Statement of changes in taxpayers' equity

for the year ended 31 March 2012

	Note	General fund £000	Total reserves £000
<b>Balance at 31 March 2010</b>		(1,475)	(1,475)
Net parliamentary funding – drawn down		16,329	16,329
Net Machinery of Government Transfer		2,403	2,403
Supply payable/(receivable) adjustment		(36)	(36)
Comprehensive expenditure for the year		(15,268)	(15,268)
<b>Non-cash adjustments</b>			
Non-cash charges – auditor's remuneration	8	68	68
<b>Balance at 31 March 2011</b>		<b>2,021</b>	<b>2,021</b>
Net parliamentary funding – drawn down		15,746	15,746
Net parliamentary funding – deemed supply		36	36
Supply payable/(receivable) adjustment		(12)	(12)
Comprehensive expenditure for the year		(16,132)	(16,132)
<b>Non-cash adjustments</b>			
Non-cash charges – auditor's remuneration	8	50	50
<b>Balance at 31 March 2012</b>		<b>1,709</b>	<b>1,709</b>

The notes on pages 57 to 76 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the *FReM* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Ofqual for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofqual are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires Ofqual to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting Note 4 shows outturn against Parliamentary Estimate in terms of the net cash requirement.

#### 1.1 Accounting convention

These financial statements have been prepared under the historical cost convention. Ofqual has a small asset base, and property, plant, equipment and intangible assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2011-12 *FReM*. Revaluation adjustments are at present not expected and have not been used in the preparation of these accounts.

#### 1.2 Accounting policies

##### 1.2.1 Valuation of non-current assets

Property, plant, equipment and purchased software licences are capitalised if they are intended for use on a continuous basis for more than one year, and are held at depreciated historic cost. The threshold for capitalising non-current assets is £10,000 on an individual basis. Individual items are not grouped.

##### 1.2.2 Depreciation and amortisation

Depreciation and amortisation are provided on all non-current assets on a straight-line basis to write off cost (less any estimated residual value) evenly over the asset's anticipated useful life.

Asset lives are in the following ranges:

- information technology (hardware) – three to five years
- purchased computer software – five years.

### **1.2.3 Operating and other income**

Operating and other income includes grant income received from the Department of Employment and Learning (Northern Ireland) for funding Ofqual's Northern Ireland office and for charges levied by Ofqual on a full cost basis, on its directly provided services. Operating income is stated net of VAT. Details are given in Note 9.

### **1.2.4 Programme/administration expenditure**

All income and expenditure in 2010-11 was classified as programme. For 2011-12 expenditure has been separated into programme and administration expenditure as described in the *FReM* 11.3.3. Programme expenditure is chiefly associated with the delivery of frontline service and includes certain staff and information systems costs. Administration expenditure contains all other expenditure, including other costs relating to regulatory activities.

### **1.2.5 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Scheme (PCSPS). Employers' and employees' pension contributions are paid to the Consolidated Fund and the PCSPS schemes are unfunded. Ofqual recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Ofqual recognises the contributions payable for the year. Further pension details are contained in the Remuneration Report and in Note 7.3.

### **1.2.6 Leases**

All leases are accounted for in accordance with International Accounting Standard (IAS) 17 Leases. Classification is made at the inception of the relevant lease.

Where, substantially, all risks and rewards of ownership of a leased asset are borne by Ofqual, the asset is recorded as property, plant and equipment, and a liability is recorded to the minimum lease payments discounted by the interest rate implicit in the lease. If Ofqual had a finance lease, the interest element of the finance lease payment would be charged to the Statement of Comprehensive Net Expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases, and the rentals are charged to the Statement of Comprehensive Net Expenditure over the term of the lease. Ofqual has one type of operating lease involving the payment of rent on property.

### **1.2.7 Financial instruments**

Ofqual does not have any complex financial instruments.

### **1.2.8 Value Added Tax**

Most of Ofqual's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are recorded net of VAT.

### **1.2.9 Contingent liabilities and contingent assets**

In addition to contingent liabilities disclosed in accordance with IAS 37, Ofqual discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated as discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### **1.2.10 Financial assets and liabilities**

Ofqual holds the following financial assets and liabilities:

1. Assets:

- cash and cash equivalents
- trade receivables – current

2. Liabilities:

- trade and other payables – current

Ofqual does not currently have any financial assets that need to be classified as available for sale or financial assets at fair value in the financial statements; neither does it have cash equivalents or derivative financial instruments.

Financial liabilities are classified, where appropriate, as financial liabilities at fair value in the financial statements or as financial liabilities measured at amortised cost (face value less any discounts). Financial liabilities include trade and other payables, accruals and derivative financial instruments. Ofqual does not currently have derivative financial instruments or financial liabilities that need to be classified at fair value in the financial statements.

### **1.3 Impending application of newly issued accounting standards not yet effective**

Ofqual has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and/or the *FReM*) that are impacting on the current period, have had an impact on a prior period, or may have an effect on future periods. Ofqual has also reviewed any new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS that are or will be applicable (references to 'new IFRS' include new interpretations and any new amendments to IFRS and Interpretations).

Ofqual has not applied IFRS 9, Financial Instruments, which is effective from 1 January 2013.

Under IFRS 9, financial assets should be classified on the basis of the entity's business model for their management and their contractual cash flow characteristics. They should be measured at fair value, and subsequently at either fair value or amortised cost. IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.

Ofqual will apply this IFRS during 2012-13. The impact of IFRS 9 has been assessed and is not considered to have a significant impact on the financial statements.

## 2.1 Analysis of net resource outturn by section

2011-12 Outturn							2011-12 Estimate		2010-11 Outturn
Administration			Programme			Total	Total	Total	Net
Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure	Net expenditure	Net expenditure	Net total outturn compared with estimate:	outturn
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
14,243	(530)	13,713	2,419	0	2,419	16,132	18,106	1,974	15,268

### Spending in departmental expenditure limit:

	<b>Outturn</b>	<b>Estimate</b>	<b>Saving</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Voted:	16,132	18,106	1,974
Non-voted	0	0	0
<b>Total</b>	<b>16,132</b>	<b>18,106</b>	<b>1,974</b>

### Spending in annually managed expenditure:

	<b>Outturn</b>	<b>Estimate</b>	<b>Saving</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Voted:	0	0	0
Non-voted	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Ofqual's remit is to regulate qualifications and their assessment arrangements, promote public confidence in and awareness of and understanding of qualifications and ensure their efficient provision and value for money.

Ofqual has spent £1.97m (2010-11: £2.03m) less than its Resource Estimate in 2011-12. This was due to a number of factors not least the ongoing effect of controls on expenditure introduced by the Cabinet Office. These controls impacted on Ofqual's ability to recruit to vacant posts which in turn reduced Ofqual's capacity to commission and undertake work. The Department for Education's decision that Ofqual should not pay a bonus during 2011-12 also reflects these expenditure controls.

**2.2 Analysis of net capital outturn by section**

2011-12					2010-11
Outturn			Estimate		Outturn
Gross expenditure	Income	Net expenditure	Net expenditure	Net total outturn compared with estimate:	Net Outturn
£000	£000	£000	£000	£000	£000
602	0	602	700	98	2,876

**Spending in departmental expenditure limit:**

	Outturn £000	Estimate £000	Saving £000
Voted:	602	700	98
Non-voted	0	0	0
<b>Total</b>	<b>602</b>	<b>700</b>	<b>98</b>

**Spending in annually managed expenditure:**

	Outturn £000	Estimate £000	Saving £000
Voted:	0	0	0
Non-voted	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**2.3 Analysis of gross resources expenditure by operating segment**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of an organisation that are regularly reviewed by the Chief Operating Decision Maker (the Chief Executive in Ofqual's case) in order to allocate resources to the segments and to assess their performance.



The following table presents gross expenditure, income, depreciation and net expenditure regarding Ofqual's operating segments – Regulation, Standards and other Directorates – based on management information produced in accordance with IFRS 8.

Segment	Gross expenditure	Income	Depreciation	2011-12 Net expenditure	2010-11 Net expenditure
	£000	£000	£000	£000	£000
Regulation	5,375	(413)	824	5,786	5,347
Standards	4,686	0	0	4,686	3,687
Other Directorates	5,777	(117)	0	5,660	6,234
Sub-total segment expenditure	15,838	(530)	824	16,132	15,268
Gross resources expenditure	15,838	(530)	824	16,132	15,268

Regulation includes the development and delivery of our regulatory approach. It includes our work on Vocational Qualifications in Northern Ireland.

Standards include our work relating to qualification and assessment standards.

Other Directorates expenditure includes activities which contribute to both standards and regulatory activity but which are accounted for separately to better control and manage costs. These together with IT costs and the costs of accommodation constitute the majority of Other Directorates expenditure.

### 3. Reconciliation of net resource outturn to net operating cost

	Note	2011-12 Outturn £000	2010-11 Outturn £000
Net resource outturn	2	16,132	15,268
Non-supply income (CFERS)	5	0	0
<b>Net operating cost</b>		<b>16,132</b>	<b>15,268</b>

**4. Reconciliation of net resource outturn to net cash requirement**

		Estimate	2011-12 Outturn	Outturn compared with estimate: saving	2010-11 Outturn
	Note	£000	£000	£000	£000
<b>Net resource outturn</b>	2	18,106	16,132	1,974	15,268
<b>Capital</b>					
Acquisition of property, plant and equipment		700	602	98	2,876
<b>Accruals adjustments</b>					
Increase/(decrease) in trade receivables and payables		0	(90)	90	993
Non-cash items	8	(1,157)	(874)	(283)	(441)
Changes in working capital (other than cash) for Machinery of Government		0	0	0	(2,403)
<b>Net cash requirement</b>		17,649	15,770	1,879	16,293
Net parliamentary funding		17,649	15,746	1,903	16,329
<b>Net increase/(decrease) in cash and cash equivalents</b>		0	(24)	24	36

**5. Analysis of income payable to the consolidated fund**

In addition to Appropriations in Aid, Ofqual received no income payable to the Consolidated Fund (2010-11: £nil).

**6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund**

	Note	2011-12 £000	2010-11 £000
Operating income	9	530	1,131
Gross income		530	1,131
Income authorised to be appropriated in aid		530	1,131
Operating income payable to the Consolidated Fund	5	(0)	0

During 2010-11 Ofqual received £566k income from the Department for Business Information and Skills (see Note 9 Income) for work undertaken on the regulatory information system during the year.

## 7. Staff numbers and related costs

### 7.1 Staff costs comprise:

	2011-12			2010-11
	Total	Permanent staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	7,841	6,930	911	8,517
Social security costs	570	570	0	519
Pension costs	1,257	1,257	0	1,190
<b>Total net costs</b>	<b>9,668</b>	<b>8,757</b>	<b>911</b>	<b>10,226</b>

The reduction in staff costs between 2010-11 and 2011-12 mainly reflects the change in Ofqual's operational status. In 2010-11 Ofqual was using temporary and consultancy staff in a variety of roles to manage post set-up activity, cover vacancies while permanent staff were recruited, and develop the regulation information system. The cost of other staff in 2010-11 was £1.77m.

Staffing costs for £18k have been capitalised and are included in the Additions costs in Note 11 Intangible Assets.

### 7.2 Average number of staff employed

The following table shows the average number of whole-time equivalent (WTE) persons employed during the year.

	2011-12			2010-11
	Total	Permanent staff	Others	Total
	WTE	WTE	WTE	WTE
Resource activities	169.8	161.0	8.8	139.5
Capital projects	0.2	0	0.2	0.5
<b>Total</b>	<b>170.0</b>	<b>161.0</b>	<b>9.0</b>	<b>140.0</b>

### 7.3 Pension costs

The following provides pension details which are additional to those in the Pension Benefits section of the Remuneration Report.

The PCSPS is an unfunded multi-employer defined benefit scheme and Ofqual is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation<sup>29</sup>.

For 2011-12, employers' contributions of £1,223,259 (2010-11: £1,163,533) were payable to the PCSPS at any one of four rates in the range 16.7 per cent to 24.3 per cent (2010-11: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. Although it is expected that the scheme's Actuary reviews employer contributions every four years a valuation at 31 March 2011 was not carried out. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during 2011-12 to existing pensioners.

Employees can opt to open a partnership pension account, i.e. a stakeholder pension with an employer contribution. Employers' contributions of £33,047 (2010-11: £26,128) were paid to two appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. In addition, employer contributions of 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 reporting period date were £2,731 (2010-11: £3,029). Contributions prepaid at that date were £nil (2010-11 £nil).

There were no ill-health or early retirements during the year funded by Ofqual.

<sup>29</sup> [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## 7.4 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2011-12			2010-11		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000 - £25,000	0	0	0	0	1	1
£50,000 - £75,000	0	0	0	0	1	1
<b>Total number of exit packages by type</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Total resource cost - £000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>78</b>

Departure costs were paid in accordance with paragraph 5(3) of Schedule 9 of the ASCL Act 2009 and in accordance with contractual arrangements. Exit costs are accounted for in full in the year of departure.

## 8. Programme and administration costs

	2011-12			2010-11 Restated		
	Programme £000	Administration £000	Total £000	Programme £000	Administration £000	Total £000
<b>Staff costs</b>	<b>51</b>	<b>9,617</b>	<b>9,668</b>	51	10,175	10,226
<b>Non-cash items</b>						
Depreciation	121	0	121	75	0	75
Amortisation	703	0	703	252	0	252
Impairment	0	0	0	46	0	46
External audit fees	0	50	50	0	68	68
	<b>824</b>	<b>50</b>	<b>874</b>	373	68	441
<b>Other expenditure</b>						
Direct operational expenditure	1,208	1,405	2,613	833	1,852	2,685
Rent and accommodation	0	1,393	1,393	0	988	988
IT	336	1,160	1,496	168	1,228	1,396
Recruitment, training and staff related	0	482	482	0	566	566
Finance, internal audit and governance	0	136	136	0	97	97
	<b>1,544</b>	<b>4,576</b>	<b>6,120</b>	1,001	4,731	5,732
<b>Income</b>	<b>0</b>	<b>(530)</b>	<b>(530)</b>	0	(1,131)	(1,131)
<b>Total</b>	<b>2,419</b>	<b>13,713</b>	<b>16,132</b>	1,425	13,843	15,268

External audit fees have been accrued at £50k for the statutory audit undertaken by the NAO (2010-11: £68k which included the additional audit of opening balances transferred to Ofqual when it was established through a Machinery of Government change). The rent and accommodation charge includes £397k (2010-11: 397k) for rentals under operating leases. In the 2010-11 accounts all income and expenditure, was classified as programme expenditure however, in the 2011-12 accounts the 2010-11 figures have been restated to show programme and administration expenditure for comparative purposes.

## 9. Income

Operating income was received in the year from the following organisations for specific projects:

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Department for Business Innovation and Skills	<b>3</b>	566
Department for Children, Education, Lifelong Learning and Skills (Wales)	<b>22</b>	15
Council for Curriculum, Examinations and Assessment (Northern Ireland)	<b>95</b>	96
Department for Employment and Learning (Northern Ireland)	<b>397</b>	454
Other income	<b>13</b>	0
<b>Total</b>	<b>530</b>	1,131

**10. Property, plant and equipment**

	Information technology £000	Assets under construction £000	2011-12 Total £000
<b>Cost or valuation</b>			
At 1 April 2011	502	0	502
Additions	0	0	0
<b>At 31 March 2012</b>	<b>502</b>	<b>0</b>	<b>502</b>
<b>Depreciation</b>			
At 1 April 2011	138	0	138
Charged in year	121	0	121
<b>At 31 March 2012</b>	<b>259</b>	<b>0</b>	<b>259</b>
<b>Carrying amount at 31 March 2012</b>	<b>243</b>	<b>0</b>	<b>243</b>
Carrying amount at 1 April 2011	364	0	364
<b>Asset financing</b>			
Owned	243	0	243
<b>Carrying amount at 31 March 2012</b>	<b>243</b>	<b>0</b>	<b>243</b>
	Information technology £000	Assets under construction £000	2010-11 Total £000
<b>Cost or valuation</b>			
At 1 April 2010	178	807	985
Additions	324	0	324
Reclassifications	0	(807)	(807)
<b>At 31 March 2011</b>	<b>502</b>	<b>0</b>	<b>502</b>
<b>Depreciation</b>			
At 1 April 2010	63	0	63
Charged in year	75	0	75
<b>At 31 March 2011</b>	<b>138</b>	<b>0</b>	<b>138</b>
<b>Carrying amount at 31 March 2011</b>	<b>364</b>	<b>0</b>	<b>364</b>
Carrying amount at 1 April 2010	115	807	922
<b>Asset financing</b>			
Owned	364	0	364
<b>Carrying amount at 31 March 2011</b>	<b>364</b>	<b>0</b>	<b>364</b>

**11. Intangible assets**

	Software	Assets under construction	2011-12 Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2011	3,486	0	3,486
Additions	582	20	602
<b>At 31 March 2012</b>	<b>4,068</b>	<b>20</b>	<b>4,088</b>
<b>Amortisation</b>			
At 1 April 2011	351	0	351
Charged in year	703	0	703
<b>At 31 March 2012</b>	<b>1,054</b>	<b>0</b>	<b>1,054</b>
<b>Carrying amount at 31 March 2012</b>	<b>3,014</b>	<b>20</b>	<b>3,034</b>
Carrying amount at 1 April 2011	3,135	0	3,135
<b>Asset financing</b>			
Owned	3,014	20	3,034
<b>Carrying amount at 31 March 2012</b>	<b>3,014</b>	<b>20</b>	<b>3,034</b>
	Software	Assets under construction	2010-11 Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2010	127	0	127
Transfers from AUC	807	0	807
Additions	2,552	0	2,552
<b>At 31 March 2011</b>	<b>3,486</b>	<b>0</b>	<b>3,486</b>
<b>Amortisation</b>			
At 1 April 2010	53	0	53
Charged in year	252	0	252
Impairments	46	0	46
<b>At 31 March 2011</b>	<b>351</b>	<b>0</b>	<b>351</b>
<b>Carrying amount at 31 March 2011</b>	<b>3,135</b>	<b>0</b>	<b>3,135</b>
Carrying amount at 1 April 2010	74	0	74
<b>Asset financing</b>			
Owned	3,135	0	3,135
<b>Carrying amount at 31 March 2011</b>	<b>3,135</b>	<b>0</b>	<b>3,135</b>



## 12. Financial instruments

As Ofqual's cash requirements are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with Ofqual's expected purchase and usage requirements and Ofqual is therefore exposed to little credit, liquidity or market risk.

### 12.1 Investments in other public sector bodies

Ofqual has no investments in other public sector bodies.

## 13. Impairments

There were no impairments in 2011-12. Impairments for intangible assets of £45k in 2010-11 resulted from assets transfers from QCA that did not align with Ofqual's capitalisation policy.

## 14. Trade receivables and other current assets

	2011-12 £000	2010-11 £000
<b>Amounts falling due within one year</b>		
Trade receivables	110	228
Other receivables	0	2
Prepayments and accrued income	310	138
VAT	413	592
<b>Total receivables at 31 March 2012</b>	<b>833</b>	<b>960</b>

### 14.1 Intra-Government balances

	Amounts falling due within one year	
	2011-12 £000	2010-11 £000
Balances with other central government bodies	620	820
Balance with local authorities	13	0
Balances with bodies external to government	200	140
<b>Total receivables at 31 March 2012</b>	<b>833</b>	<b>960</b>

**15. Cash and cash equivalents**

	2011-12	2010-11
Note	£000	£000
Balance at 1 April 2011	36	0
Net changes in cash and cash equivalent balances	(24)	36
<b>Balance at 31 March 2012</b>	<b>12</b>	<b>36</b>

The following balances were held at:

Government Banking Services	12	36
<b>Balance at 31 March 2012</b>	<b>12</b>	<b>36</b>

**16. Reconciliation of net cash requirement to increase/(decrease) in cash**

	2011-12	2010-11
	£000	£000
Net cash requirement	(15,770)	(16,293)
From the Consolidated Fund (Supply) – 31 March 2012	15,746	16,329
<b>Increase/(decrease) in cash</b>	<b>(24)</b>	<b>36</b>

**17. Trade payables and other current liabilities**

	2011-12	2010-11
	£000	£000
<b>Amounts falling due within one year</b>		
Other taxation and social security	216	288
Trade payables	324	170
Other payables	739	238
Accruals and deferred income	1,122	1,742
Amounts issued from the Consolidated Fund supply unspent at year end	12	36
<b>Total at 31 March 2012</b>	<b>2,413</b>	<b>2,474</b>

**17.1 Intra-government balances**

	<b>Amounts falling due within one year</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	<b>347</b>	324
Balances with bodies external to government	<b>2,066</b>	2,150
<b>Total at 31 March 2012</b>	<b>2,413</b>	2,474

**18. Provisions for liabilities and charges**

Ofqual had no liabilities that required a provision for 2011-12 (2010-11: nil).

**19. Capital commitments**

There were no capital commitments nor non-cancellable contracts at 31 March 2012 (31 March 2011: nil).

**20. Commitments under leases**

The total future minimum operating lease payments are given in the table below for each of the following periods:

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Buildings</b>		
Not later than one year	<b>417</b>	398
Later than one year and not later than five years	<b>1,609</b>	1,509
Later than five years	<b>382</b>	755
	<b>2,408</b>	2,662
<b>Other</b>		
Not later than one year	<b>6</b>	0
Later than one year and not later than five years	<b>10</b>	0
Later than five years	<b>0</b>	0
	<b>16</b>	0

The building operating leases relate to Ofqual's offices in Coventry and Belfast.

**21. Financial guarantees, indemnities and letters of comfort**

Ofqual has not entered into quantifiable guarantees or indemnities, nor has it provided letters of comfort.

**22. Contingent liabilities disclosed under IAS 37**

Ofqual has not entered into unquantifiable contingent liabilities by offering guarantees or indemnities or by giving letters of comfort.

**23. Losses and special payments**

During 2011-12 Ofqual made no special payment that required reporting (2010-11: nil).

**24. Related-party transactions****24.1 Other government transactions**

Ofqual had the following payment transactions with other government departments and other central government bodies and organisations during the year:

	<b>£000</b>
Land and Property Services	2
GovNet Communications	7
Ministry of Justice	10
National School of Government	32
Qualifications and Curriculum Development Agency	92
Others	1
<b>Total</b>	<b>144</b>

Ofqual received income in the year from other government bodies (Note 9):

	<b>£000</b>
Department for Business Innovation and Skills	3
Council for Curriculum, Examinations and Assessment (Northern Ireland)	95
Department for Employment and Learning (Northern Ireland)	397
<b>Total</b>	<b>495</b>

**24.2 Board members' directorships**

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31 March 2012 are given below.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with Ofqual during the year.

Name	Board directorships and other significant interests during 2011-12
Tim Balcon	<ul style="list-style-type: none"> <li>■ Director of the Institute of Water</li> <li>■ Director of Energy and Utility Skills Ltd</li> </ul>
Sandra Burslem	<ul style="list-style-type: none"> <li>■ Chair of the British Council Education-UK Partnership</li> <li>■ Deputy Chair of the Higher Education Funding Council for Wales</li> <li>■ Chair of Chetham's School of Music, and Feoffee of Chetham's School and Hospital Trust</li> <li>■ Member of the Board of the Royal Northern College of Music</li> <li>■ Member of the Board of the University of Cumbria</li> <li>■ Member of the Education Honours Committee</li> </ul>
Ray Coughlin	<ul style="list-style-type: none"> <li>■ Director of ASITIS</li> </ul>
Tanvi Davda	<ul style="list-style-type: none"> <li>■ Chief Operating Officer, Barclays Wealth Advisory</li> </ul>
Gillian Easson	<ul style="list-style-type: none"> <li>■ Vice Chair, Stockport NHS Foundation Trust</li> <li>■ Deputy Chair, University of Manchester Board of Governors</li> <li>■ Chair, Manchester University Press</li> </ul>
Philip Fletcher	<ul style="list-style-type: none"> <li>■ Chairman of Ofwat</li> <li>■ Member of Archbishops' Council for the Church of England</li> <li>■ Chair of the Mission and Public Affairs Council of the Church of England</li> <li>■ Member of the Advisory Council of the European Policy Forum</li> </ul>
Maggie Galliers	<ul style="list-style-type: none"> <li>■ Principal, Leicester College</li> <li>■ NIACE Board member</li> <li>■ HEFCE Teaching, Quality and the Student Experience Committee member</li> </ul>
Denise Holt	<ul style="list-style-type: none"> <li>■ Non-executive Director of HSBC Bank plc</li> <li>■ Non-executive Director, Scottish Power Renewable Energy Ltd</li> <li>■ Member of the NHS Pay Review Body</li> <li>■ Independent Chair of Standards, South Downs National Park Authority</li> </ul>

	<ul style="list-style-type: none"> <li>■ Independent Chair of Nominations, Alzheimer’s Society</li> <li>■ Chair of the Anglo-Spanish Society</li> <li>■ Robin Humphrey Fellow at the School for American Studies, University of London</li> <li>■ Member of the Management Council of the Canada Blanch Centre for Contemporary Spanish Studies, LSE</li> <li>■ Associate Member, BUPA</li> <li>■ Political and Management Advisory Services</li> </ul>
Fay Scott	<ul style="list-style-type: none"> <li>■ No board directorships or other significant interests</li> </ul>
Amanda Spielman	<ul style="list-style-type: none"> <li>■ Director of Research and Development, ARK Schools</li> <li>■ Director, New Schools Network</li> <li>■ Council Member, Institute of Education</li> </ul>
Glenys Stacey	<ul style="list-style-type: none"> <li>■ No board directorships or other significant interests</li> </ul>
John Townsley	<ul style="list-style-type: none"> <li>■ Executive Principal, The Morley Academy/The Farnley Academy</li> </ul>
Neil Watts	<ul style="list-style-type: none"> <li>■ Board member, Architects Registration Board</li> <li>■ Board member, Press Complaints Commission</li> </ul>

## 25. Third-party assets

Ofqual holds no third-party assets.

## 26. Entities within the department boundary

Ofqual is the only body within its department boundary.

## 27. Events after the reporting period

The financial statements were authorised for issue on 25 June 2012 by Glenys Stacey who is the Chief Regulator and Ofqual’s Chief Executive and Accounting Officer. There have been no events after the reporting period requiring an adjustment to the financial statements.



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