

Presented pursuant to Acts 29 and 30 Vict., c.39, s.22, and 11 and 12 Geo. 5, c.52, ss.4 and 6

# **Appropriation Accounts 2000–01**

## **Volume 1: Class I Education and Employment**

ORDERED BY THE  
HOUSE OF COMMONS  
TO BE PRINTED  
29 JANUARY 2002



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# **The Comptroller and Auditor General**

The Comptroller and Auditor General is the head of the National Audit Office employing some 750 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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# Introduction

The 2000–01 Appropriation Accounts are being published in 18 Volumes:

<b>Volume</b>	<b>Class</b>	<b>Title</b>
1	I	Education and Employment
2	II	Department of Health
3	III	Environment, Transport and the Regions
4	IV	Home Office
5	V	Lord Chancellor's and Law Officer's Departments
6	VI	Ministry of Defence
7	VII	Foreign and Commonwealth Office
8	VIII	International Development
9	IX	Trade and Industry and Export Credits Guarantee Department
10	X	Ministry of Agriculture, Fisheries and Food and Intervention Board—Executive Agency and Forestry
11	XI	Culture, Media and Sport
12	XII	Department of Social Security
13	XIII	Scotland
14	XIV	Wales
15	XV	Northern Ireland
16	XVI	Departments of the Chancellor of the Exchequer
17	XVII	Cabinet Office: Office and Central Office of Information
18	XVIII, XVIIIA XVIII B and XVIII C	Office of the Parliamentary Commissioner, Parliament, etc National Audit Office Electoral Commission

# Reports on accounts and subjects under consideration

## Each volume

Each of the 18 volumes will contain my report on the accounts within it.

## Revenue accounts

In volume 3 I will also report upon the revenue generated by the Motor Tax Account—Class III, Vote 8 (Driver Vehicle Licensing Agency); and in volume 16 I will report upon the results of my examination of the Customs & Excise and Inland Revenue accounts—Class XVI, Votes 3 and 4.

## Summary of transactions

A summary of the transactions contained within all 18 volumes is included in the last published volume. The summary will include:

- a summary of Excess Votes required
- a statement of outturn of all Votes and the amount to be surrendered; and
- a statement of the payment of extra receipts to the Consolidated Fund and of the adjustment of balances on the 1999–2000 Votes.

## The General Report

Once all 18 volumes have been published a final document is produced: *Financial Auditing and Reporting: 2000–01 General Report of the Comptroller and Auditor General*. The General Report brings together the results of financial audit work undertaken by the National Audit Office over the last twelve months and highlights issues arising from it. A number of areas will be covered including:

- Accounting and Auditing Developments
- Audit of Assets
- Audit of Receipts of revenue
- Corporate Governance
- Financial Management and Control
- Resource Accounting

*John Bourn*  
Comptroller and Auditor General

National Audit Office  
25 January 2002



# Report

## Teachers' Superannuation: England and Wales

### Introduction

- 1 The Teachers' Superannuation Scheme (England and Wales) was established under the Superannuation Act 1972 to provide post retirement benefits for members of the teaching profession and other eligible educational workers. It is an unfunded, contributory, public service occupational pension scheme governed by statutory regulations under the Act. The current principal regulations are the Teachers' Pensions Regulations 1997. The Scheme is managed by the Department for Education and Skills (formerly the Department for Education and Employment).
2. Active members contribute 6 per cent of their pensionable salary to the scheme. Members' employers make a further contribution, currently 7.4 per cent of pensionable salary. Members' contributions are deducted from their salaries and employers must submit these deductions, along with their own contributions, within 7 days of the end of each month.
3. For the financial year 2000-01 the Scheme disbursed some £3.579 billion in retirement and other benefits and received contributions of £2.011 billion.
4. I have qualified my opinion on these financial statements because the Managers of the Scheme were unable to provide me with sufficient evidence to support the completeness of pension contributions received.
5. This Report sets out my findings in more detail.

### Verification of Contributions receivable by the Scheme

6. In order to verify the contributions paid to the Scheme, and to confirm and update membership information, employers are required to provide two annual returns to the Managers of the Teachers' Pension Scheme:
  - An annual "contributions return" is to be submitted by 31st December following the 31st March year-end. This return verifies that the contributions made in the previous year are correct and is audited by the relevant employer's statutory auditor. The information is used by the Scheme Managers to ensure that employers have properly remitted all contributions due.
  - An annual "membership return" to the Scheme Managers, with a target date for submission of 30th June following the 31st March year end. This return provides service and salary details of active Scheme members working for each employer during the year. The information is used by the Managers to ensure that membership information, such as members' salary and length of service, is correct so that retirement benefits due to members can be properly calculated when they retire.

7. Therefore the Managers should have received all the information supporting contributions received in 2000-01, and 2000-01 data to update its membership records, by 31st December 2001.

## Limitation of Scope on Contributions Received

8. Audited "contribution returns" were all due by 31st December 2001. However, at the date of my report, of the 172 local education authorities 60 had not yet submitted an audited return. In addition there remained some 465 audited returns from 'other employers' not yet received. The missing returns cover some £533,673,000 of contributions received from local education authorities and £110,351,000 received from 'other employers'.
9. I am required to provide an opinion that the appropriation account properly presents the expenditure and receipts of Class I Vote 2. Given that the Scheme Managers were unable to provide me with sufficient evidence to support the completeness and accuracy of contributions received during 2000-01 from certain employers, my audit opinion was limited in scope to reflect the lack of information to support the level of contributions due.

## Membership Records

10. In respect of 2000-01, the Managers received information covering 71 per cent of its membership. These returns identified updates needing to be made to the Scheme's database. This database is used to calculate pension and other benefits due to scheme members, but as alternative arrangements exist for confirming the length of service and pensionable salary of teachers this effectively reduces the risk that their pensions will be based on incorrect information.
11. The late submission of these returns has an incremental impact and, as this is the first year I have noted the low level of "membership returns", it is my opinion that has not led to a material misstatement in the Accounts.
12. Whilst I have not qualified my opinion in this respect, I regard the completeness of membership records as an essential pre-requisite to the effective management of the Scheme.

## Corrective Action planned by the Scheme

13. The Scheme Managers are currently reviewing the control system for verifying the completeness and accuracy of contributions received from employers. This review is paying particular attention to recent structural changes in the education sector, including the abolition of grant maintained schools, and measures currently before Parliament in the Education Bill.
14. The review will also recommend alternative methods of gathering membership and other key data. This review is due to be completed early in 2002 and I shall continue to monitor developments.

John Bourn  
Comptroller and Auditor General  
25 January 2002

National Audit Office  
157-197 Buckingham Palace Road  
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**Class I**  
**Education and Employment**



## **Statement of Accounting Officers' responsibilities**

Section 22 of the Exchequer and Audit Departments Act 1866 requires all departments to prepare accounts of the appropriation of supply grants comprised in each year's Appropriation Act. The Treasury appoint an Accounting Officer for each Vote and determine the form of the accounts. The accounts are prepared on a cash basis and must properly present the expenditure and receipts for each Vote in the financial year. The relevant responsibilities of Accounting Officers, including their responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Class I:

Page	No. of Vote	Service	Estimated Gross Expenditure	Authorised Appropriations in Aid	Supply Grant
			£000	£000	£000
6	1	Department for Education and Employment: programmes and central services	18,810,790	413,768	18,397,022
27	2	Teachers' superannuation: England and Wales	3,725,001	2,075,000	1,650,001
32	3	Employment Service	2,020,228	85,058	1,935,170
41	4	Office of Her Majesty's Chief Inspector of Schools in England	105,140	640	104,500
46	5	Sure Start	184,779	379	184,400
<b>Total</b>			<b>24,845,938</b>	<b>2,574,845</b>	<b>22,271,093</b>

**Education and Employment**

Gross Expenditure	Appropriations in Aid applied	Net Expenditure	Gross Expenditure compared with Estimate: Saving or (Excess)	Deficiency of Appropriations in Aid	Amount to be surrendered	Extra Receipts payable to Consolidated Fund	No. of Vote
£000	£000	£000	£000	£000	£000	£000	
17,734,951	351,709	17,383,242	1,075,839	62,059	1,013,780	123,736	1
3,716,842	2,075,000	1,641,842	8,159	—	8,159	73,923	2
1,739,181	81,691	1,657,490	281,047	3,367	277,680	9,308	3
103,941	640	103,301	1,199	—	1,199	1,230	4
42,956	84	42,872	141,823	295	141,528	—	5
<b>23,337,871</b>	<b>2,509,124</b>	<b>20,828,747</b>	<b>1,508,067</b>	<b>65,721</b>	<b>1,442,346</b>	<b>208,197</b>	
Total amount to be surrendered					<b>1,442,346</b>		

Actual total amount to be surrendered £1,442,346,563.18

## Department for Education and Employment: Programmes and Central Services

**Summary of Outturn**, and the **Account** of the sum expended, in the year ended 31 March 2001 for expenditure by the Department for Education and Employment on voluntary and special schools; the Assisted Places Scheme; the provision of education for under-fives; City Colleges and other specialist schools; former grant-maintained schools, music, dance and drama schools and institutions; the school curriculum and its assessment; services and initiatives to promote learning, and providing advice, guidance and support; careers guidance and services; payments for or in connection with teacher training and representation, and modernising the teaching profession; higher and further education provision and initiatives; loans to students, student awards and other student grants and their administration; access funds and other student support payments; reimbursement of fees for qualifying European Community students; compensation payments to teachers and staff of certain institutions; expenditure on other central government grants to local authorities; the provision of training and assessment programmes for young people and adults; initiatives to improve training and qualifications arrangements and access to these; the promotion of enterprise and the encouragement of self employment; administration of and payments for education, training and employment projects assisted by the European Community and refunds to the European Community; the UK subscription of the International Labour Organisation (ILO); help for unemployed people; the promotion of equal opportunities, disability rights, age diversity in employment, childcare provision and co-ordination of certain issues of particular importance to women and families and the promotion of work-life balance; the payment of certain fees to the Home Office; loans to the University for Industry, Training and Enterprise Councils, Chambers of Commerce, Training and Enterprise and Careers Service Partnerships; the Department's own administration and research, including services to Sure Start, and payments for the administration of teachers' pensions; information and publicity services; payments to the Department of the Environment, Transport and the Regions in connection with the Regional Development Agencies and the London Development Agency; expenditure via Training and Enterprise Councils and amounts retained by them as surpluses and spent by them on training and other initiatives within their articles and memoranda of association; expenditure in connection with the sales of the student loans debt; initiatives with other government departments under the Invest to Save Budget; on expenditure in connection with the Welfare to Work Programme and Millennium Volunteers; and on a small event for some former employees and Westminster pensioners to mark the Millennium.

### Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL)</b>						
<b>Central government spending</b>						
A	1,485,801	14,948	1,470,853	1,243,364	9,088	1,234,276
B	10,099,497	144,074	9,955,423	9,863,868	126,733	9,737,135
C	437,884	—	437,884	395,857	—	395,857
D	1	—	1	—	—	—
E	120,000	—	120,000	82,159	—	82,159
F	394,221	3,021	391,200	360,707	617	360,090
G	471,031	37,763	433,268	361,802	41,316	320,486
H	5,480	—	5,480	4,787	—	4,787



**Summary of Outturn—continued**

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Support for local authorities</b>						
I	2,517,189	1,363	2,515,826	2,347,054	1,484	2,345,570
J	291,800	—	291,800	330,857	—	330,857
K	1	—	1	—	—	—
L	30,000	—	30,000	23,399	—	23,399
<b>Welfare to Work spending in Departmental Expenditure Limits Central Government spending</b>						
M	5,588	—	5,588	5,773	—	5,773
N	23,631	1,752	21,879	19,837	1,851	17,986
<b>Support for local authorities</b>						
O	738,722	—	738,722	712,393	—	712,393
<b>Other spending outside Departmental Expenditure</b>						
P	—	294	(294)	—	—	—
Q	—	86,998	(86,998)	—	25,273	(25,273)
R	2,177,988	123,555	2,054,433	1,975,727	145,347	1,830,380
<b>Spending in Departmental Expenditure Limits (DEL)</b>						
<b>Support for local authorities</b>						
S	4,500	—	4,500	4,911	—	4,911
<b>Welfare to Work spending in Departmental Expenditure Limits Central Government spending</b>						
T	7,456	—	7,456	2,456	—	2,456
<b>Total</b>	<b>18,810,790</b>	<b>413,768</b>	<b>18,397,022</b>	<b>17,734,951</b>	<b>351,709</b>	<b>17,383,242</b>

## Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL) Central Government spending</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
A2 Direct expenditure: other current	94,615	69,231	25,384	—
A4 Grants and transfers: current	1,379,744	1,161,653	218,091	—
A5 Grants and transfers: capital	11,442	12,480	—	1,038
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
B2 Direct expenditure: other current	409,244	360,509	48,735	—
B4 Grants and transfers: current	9,466,503	9,298,516	167,987	—
B5 Grants and transfers: capital	223,750	204,843	18,907	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
C4 Grants and transfers: current	437,884	395,857	42,027	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need (net)				
D4 Grants and transfers: current	1	—	1	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF payments made in advance of EC receipts				
E4 Grants and transfers: current	120,000	82,159	37,841	—

**Explanations of the Causes of Variation between Expenditure and Grant.**

- A2 Due to lower than expected expenditure on National Childcare Strategy and unforeseen slippage on Training and Quality recruitment campaign.
- A4 Due to slippage in specific areas mainly Teachers Pay Reform (TPR), Teacher Training Agency and the Standard and Effectiveness Unit (SEU).
- B2 Mainly due to VAT for careers services being estimated under section B2 whereas the gross expenditure was attributed to section B4.
- E4 Slower than expected start to new (2000-06) programmes.

**Account—continued**

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL)</b>				
<b>Central Government spending—continued</b>				
Helping people without a job into work				
F2 Direct expenditure: other current	100,701	94,116	6,585	—
F4 Grants and transfers: current	293,472	264,552	28,920	—
F5 Grants and transfers: capital	48	2,039	—	1,991
Activities to support all objectives				
G1 Direct expenditure: running costs	275,443	264,770	10,673	—
G2 Direct expenditure: other current	29,724	31,038	—	1,314
G3 Direct expenditure: capital	10,242	13,399	—	3,157
G4 Grants and transfers: current	42,606	26,741	15,865	—
G5 Grants and transfers: capital	113,016	25,854	87,162	—
Activities to support all objectives				
H4 Grants and transfers: current	5,480	4,787	693	—
<b>Support for local authorities</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
I4 Grants and transfers: current	1,756,041	1,702,443	53,598	—
I5 Grants and transfers: capital	761,148	644,611	116,537	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
J4 Grants and transfers: current	291,800	330,857	—	39,057

**Explanations of the Causes of Variation between Expenditure and Grant.**

- F5 Mainly due to Disability Rights Commission capital being estimated under section F2 whereas the gross expenditure was attributed to F5.
- G3 Due to the fact that additional capital resource was undertaken for major premises work and additional IS equipment.
- G4 This is partly because the estimates on VAT for miscellaneous programmes were based on previous trends, of which the expenditure was less than anticipated.
- G5 Projects funded by CMF are innovative in nature. This leads to a longer lead time in the delivery of the projects, impacting on spend.
- H4 Pension payments made outside the main Teachers' Pensions Scheme were less than anticipated. This is mainly because estimates were based on previous trends.
- I5 Capital programmes often have a longer lead time in the delivery of a project, which impact on the rate of expenditure.
- J4 Mandatory Awards are demand-led and take up of the awards by students exceeded the Department's forecast.

**Account—continued**

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL)</b>				
<b>Support for local authorities—continued</b>				
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need (net)				
K4 Grants and transfers: current	1	—	1	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF payments made in advance of EC receipts				
L4 Grants and transfers: current	30,000	23,399	6,601	—
<b>Welfare to Work spending in Departmental Expenditure Limits</b>				
<b>Central Government spending</b>				
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
M1 Direct expenditure: running costs	582	577	5	—
M2 Direct expenditure: other current	5,006	5,196	—	190
Helping people without a job into work				
N1 Direct expenditure: running costs	4,412	3,669	743	—
N2 Direct expenditure: other current	12,797	10,077	2,720	—
N4 Grants and transfers: current	6,422	6,091	331	—
<b>Support for local authorities</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
O5 Grants and transfers: capital	738,722	712,393	26,329	—

**Explanations of the Causes of Variation between Expenditure and Grant.**

- L4 More receipts received from EC than expected meant less use of the payment in advance of receipt facility.
- N1 Due to lower than anticipated expenditure on projects to be run by the New Deal Task Force, to improve the penetration of the New Deal in specific sectors of the labour market. The cost of the projects would be covered by employers contributions. Few projects took off and very little was spent in 2000-01. A corresponding under recovery of receipts from employers is shown in section NZ.
- N2 Due to lower than anticipated take up of New Deal programmes, the bulk of which related to New Deal for Disabled People and delays in moving from a pilot based programme to national extension.

**Account—continued**

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Other spending outside Departmental Expenditure</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
P	—	—	—	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF receipts				
Q	—	—	—	—
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
R4 Grants and transfers: current	117,349	110,385	6,964	—
R5 Grants and transfers: capital	2,060,639	1,865,342	195,297	—
<b>Spending in Departmental Expenditure Support for local authorities</b>				
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need				
S4 Grants and transfers: current	4,500	4,911	—	411
<b>Welfare to Work spending in Departmental Expenditure Limits</b>				
<b>Central government spending</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
T4 Grants and transfers: current	2,456	2,456	—	—
T5 Grants and transfers: capital	5,000	—	5,000	—

**Explanations of the Causes of Variation between Expenditure and Grant.**

T5 Late allocation of additional resources meant that the Department were unable to get programme (E-Learning) up and running before year end.

**Account—continued**

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Gross Total</b>	<b>£000</b>			
<i>Revised</i>	17,889,290			
<i>Supplementary</i>	613,599			
<i>Supplementary</i>	<u>307,901</u>			
	18,810,790	17,734,951	1,122,997	47,158
			Surplus of Gross Estimate over Expenditure <u>1,075,839</u>	
<b>Deduct</b>	<b>Estimated</b>	<b>Realised</b>		
	<b>£000</b>	<b>£000</b>		
<b>Z Appropriations in Aid</b>				
<i>Revised</i>	329,128			
<i>Supplementary</i>	7,243			
<i>Supplementary</i>	<u>77,397</u>			
	413,768	351,709		
				62,059
<b>Net Total</b>				
<i>Revised</i>	17,560,162			
<i>Supplementary</i>	606,356			
<i>Supplementary</i>	<u>230,504</u>			
	18,397,022	17,383,242		
				Net Surplus <u>1,013,780</u>

Actual surplus to be surrendered **£1,013,780,345.20**

The surplus of £633,907,268.35 shown in the account of the Vote for Programmes and Central Services (Department for Education and Employment) Class 1, Vote 1 for the year ended 31 March 2000 has been surrendered.

David Normington  
Accounting Officer

Date 14 January 2002

## Explanatory Notes on Expenditure and Receipts

### 1 Expenditure items

*Section A: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world* [£1,243,364]

	Current £000	Capital £000
Assisted Places Scheme	78,270	—
BECTA and associated expenditure	29,425	—
Childcare Initiatives	61,565	—
City Technology Colleges	62,642	784
Education Action Zones	56,117	—
European Schools	20,399	—
Information, Communication & Technology	—	10,320
Music and Ballet	11,530	—
QCA and associated expenditure	59,040	1,115
Qualification Framework	24,230	—
Research and Miscellaneous	63,972	—
Residual FAS	6,780	—
Teacher Training Agency and associated expenditure	619,956	261
Under Fives	136,958	—
<b>Total</b>	<b><u>1,230,884</u></b>	<b><u>12,480</u></b>

**Explanatory Notes on Expenditure and Receipts—continued****1 Expenditure items—continued**

<i>Section B: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£9,863,868]	Current £000	Capital £000
Access Funds (inc FE & HE access fund)	143,996	—
Adult Education	95,546	—
Adult Learning Inspectorate & Learning Skills Council (ALI & LSC)	45,970	—
British Academy	33,821	—
Career Development Loans & Individual Learning Accounts (ILA)	111,976	—
Careers Service	249,306	—
Community Champions	1,002	—
Engineering Bursary	1,612	—
Further Education—Travellers	76	—
Further Education Funding Council and associated expenditure	3,493,819	54,843
General Teaching Council	6,736	—
Higher Education Development	4,544	—
Higher Education Funding Council for England and associated expenditure	4,188,159	150,000
International Labour Organisation Project	7,031	—
ITM—Improving the Training Market	8,512	—
Learning Partnership Fund	5,490	—
Local Competitiveness	67,306	—
Millennium Volunteers—non windfall	9,398	—
Neighbourhood Support Fund	2,857	—
Other Teacher Training	31,342	—
Sector Challenge	594	—
Student Support Administration	31,309	—
Subscription & Advice	2,316	—
TEC Performance and Discretionary Funds	118,995	—
The European Community Action Scheme Mobility of University Students— ERASMUS	372	—
Training Inspectorate	6,672	—
University for Industry	67,056	—
VAT—Careers Service	42,459	—
VAT—Student Loans	4,718	—
VAT—TECs	28,635	—
Work Experience	11,704	—
Youth Enterprise Initiative	4,939	—
Youth Services	4,606	—
Youth Training and Modern Apprenticeships	826,151	—
<b>Total</b>	<b><u>9,659,025</u></b>	<b><u>204,843</u></b>



**Explanatory Notes on Expenditure and Receipts—continued****1 Expenditure items—continued**

	Current £000	Capital £000
<i>Section C: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£395,857]		
EUI Bursaries	89	—
Post-graduate Awards	202	—
Tutors Fees	395,566	—
<b>Total</b>	<b>395,857</b>	<b>—</b>
<i>Section D: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need (net)</i> [£0]		
	—	—
<b>Total</b>	<b>—</b>	<b>—</b>
<i>Section E: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF payments made in advance of EC receipts</i> [£82,159]		
ESF Speedy Payments	82,159	—
<b>Total</b>	<b>82,159</b>	<b>—</b>
<i>Section F: Helping people without a job into work</i> [£360,707]		
DDA and DARAS	3,635	—
Disability Rights Commission and associated expenditure	11,029	1,022
Disadvantaged Groups	773	—
Employment Zones	57,862	—
Fair Play and Equal Opportunities	7,833	828
Family Friendly Employment	2,369	189
Work Based Learning for Adults	275,167	—
<b>Total</b>	<b>358,668</b>	<b>2,039</b>

**Explanatory Notes on Expenditure and Receipts—continued****1 Expenditure items—continued**

	Current £000	Capital £000
<b>Section G: Activities to support all objectives</b> [£361,802]		
Capital Modernisation Fund—CMF	—	25,855
Departmental Administration—Consultancy	4,895	—
Departmental Administration—GAE	97,847	—
Departmental Administration—Salaries	152,506	—
Evaluation, Research and Publicity	28,296	—
National Foundation for Educational Research	25	—
Other Non Running Costs	2,742	13,398
Teachers' Ill Health	784	—
VAT—Miscellaneous Programmes	25,932	—
VAT—Running Costs	9,522	—
<b>Total</b>	<b><u>322,549</u></b>	<b><u>39,253</u></b>
<b>Section H: Activities to support all objectives</b> [£4,787]		
Compensation to College of Education Staff	4,787	—
<b>Total</b>	<b><u>4,787</u></b>	<b><u>—</u></b>
<b>Section I: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world</b> [£2,347,054]		
AMG Non Recoupable	—	496
Class Size Reduction	—	76,000
FAIR (exc. New Deal)	—	70,252
GM Specialist Schools	18,589	55
National Grid for Learning	—	166,269
Nursery Grant—provision for 3yr olds	108,927	—
Standards Fund	1,574,927	215,627
Voluntary Aided Schools	—	115,912
<b>Total</b>	<b><u>1,702,443</u></b>	<b><u>644,611</u></b>

**Explanatory Notes on Expenditure and Receipts—continued****1 Expenditure items—continued**

	Current £000	Capital £000
<i>Section J: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£330,857]		
Mandatory Awards	330,857	—
<b>Total</b>	<b>330,857</b>	<b>—</b>
<i>Section K: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need (net)</i> [£0]		
	—	—
<b>Total</b>	<b>—</b>	<b>—</b>
<i>Section L: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF payments in advance of EC receipts</i> [£23,399]		
ESF Local Authorities Speeding Payments	23,399	—
<b>Total</b>	<b>23,399</b>	<b>—</b>
<i>Section M: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£5,773]		
Millennium Volunteers—Running Costs	577	—
Millennium Volunteers—Windfall Project	4,196	—
Skills Development Fund	1,000	—
<b>Total</b>	<b>5,773</b>	<b>—</b>
<i>Section N: Helping people without a job into work</i> [£19,837]		
New Deal—Disabled People	5,290	—
New Deal—Employment Zones	4,192	—
New Deal—Running Costs	3,578	—
New Deal—Training Inspectorate	1,071	—
New Deal—VAT Miscellaneous	1,534	—
New Deal—VAT Running Costs	91	—
New Deal—Young People & Partners	1,714	—
New Deal—50 Plus	2,239	—
New Deal—Publicity	128	—
<b>Total</b>	<b>19,837</b>	<b>—</b>

**Explanatory Notes on Expenditure and Receipts—continued****1 Expenditure items—continued**

	Current £000	Capital £000
<i>Section O: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world</i> [£712,393]		
New Deal for Schools	—	712, 393
<b>Total</b>	<u>—</u>	<u>712,393</u>
<i>Section P: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world</i> [£0]		
	—	—
<b>Total</b>	<u>—</u>	<u>—</u>
<i>Section Q: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need—ESF receipts</i> [£0]		
	—	—
<b>Total</b>	<u>—</u>	<u>—</u>
<i>Section R: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£1,975,727]		
Student Loans	110,385	1,865,342
<b>Total</b>	<u>110,385</u>	<u>1,865,342</u>
<i>Section S: Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need</i> [£4,911]		
Learning Partnership Fund	4,911	—
<b>Total</b>	<u>4,911</u>	<u>—</u>
<i>Section T: Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world</i> [£2,456]		
New Deal—National Childcare Strategy	450	—
New Deal—Out of School Childcare	2,006	—
<b>Total</b>	<u>2,456</u>	<u>—</u>

**Explanatory Notes on Expenditure and Receipts—continued****2 Receipts payable to the Consolidated Fund**

	Estimated £000	Realised £000
(i) Receipts of classes authorised to be used as Appropriations in Aid	413,768	351,709
(ii) Receipts of other classes	136,510	123,736
Gross Total	<u>550,278</u>	<u>475,445</u>
Appropriated in Aid		351,709
Net total		<u>123,736</u>
<b>Actual sum payable separately to the Consolidated Fund</b>	<b><u>£123,736,580.34</u></b>	

**Details of Receipts****(i) Receipts of classes authorised as Appropriations in Aid**

	Current £000	Capital £000
<b>az Section A [£9,088]</b>		
Childcare Strategy receipts	6,954	—(a)
Dance & Drama receipts	—	—
DEV Admin receipts	113	—
EAB receipts	—	—
ERASMUS receipts	—	—
HED—NRA & KSSP receipts	308	—
Rent income from European Schools	20	—
Rent income from former premises	351	—
Single International Programme receipts	—	—
Special Educational Needs Tribunal receipts from Welsh Office	70	—
UK Education and Training Overseas	458	—
VA Schools—Repayment of Principal Loans	—	814
<b>bz Section B [£126,733]</b>		
Career Development Loan receipts	1,865	—
Careers Service—VAT receipts	41,453	—
ERASMUS receipts	61	—
ESF Administration receipts	135	—
Further Education Funding Council receipts	—	—(b)
Higher Education receipts from DTI	1,500	—
Individual Learning account receipts	45,448	—
ITM receipts	—	—
LCB receipts	60	—
Millennium Volunteers receipts	—	—
SECTOR Challenge receipts	696	—
Student Loans Company—VAT	3,964	—
TEC Rents	786	—(c)
TECs—VAT	30,765	—(d)

**Explanations of the Causes of Variation between Estimated and Realised Receipts.**

- (a) Slower than anticipated take up of ESF funded provision under Childcare, leading to reduced expenditure and therefore reduced receipt of ESF funds.
- (b) The anticipated receipts from the Further Education Funding Council were offset against the FEFC's main grant and are reflected in the grant in aid figure shown in estimate line B.
- (c) Due to recovery of rents on TEC premises.
- (d) Due to higher than anticipated reduction of TEC programmes following their replacement by Learning Skills Council from 1 April 2001.

**Explanatory Notes on Expenditure and Receipts—continued****Details of Receipts—continued****Receipts of classes authorised as Appropriations in Aid—continued**

	Capital £000	Realised £000
<b>fz Section F [£617]</b>		
DRC receipts	354	—
Employment Zones—VAT	—	—
Family Friendly receipts	—	—
Scotland & Wales EZ receipts	263	—
<b>gz Section G [£41,316]</b>		
Administration receipts	7,479	—
Euro fast stream	—	—
Evaluation, Research and Publicity receipts	794	—
Receipts for seconded staff	1,052	—
VAT on Misc. Programmes and Running Costs	31,991	—(e)
<b>iz Section I [£1,484]</b>		
Repayment of loans from former GM schools	—	941
VA Schools—Repayment of Capital from previous years	—	543
<b>nz Section N [£1,851]</b>		
New Deal—VAT on Misc. Programmes and Running Costs	1,851	—(f)
New Deal—Task Force project	—	—(g)
<b>pz Section P [—]</b>		
Repayments of Loan Interest	—	—
<b>qz Section Q [£25,273]</b>		
ESF receipts relating to advance payments to LAs	2,942	—(h)
ESF receipts relating to advance payments to third parties	22,331	—(i)
<b>rz Section R [£145,347]</b>		
Principal repayment of student loans	—	145,347(j)
	<u>204,064</u>	<u>147,645</u>
<b>(ii) Receipts of other classes</b>		
Developing in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create skills that our economy and employers need	23,661	—(k)
ERDF and ESF	90,596	—(l)
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world	9,479	—(m)
	<u>123,736</u>	—

**Explanatory Notes on Expenditure and Receipts—continued****Explanations of the Causes of Variation between Estimated and Realised Receipts.**

- (e) Due to an increase in volumes of contracting out and use of consultants.
- (f) Due to the increase in marketing provision for New Deal in year, this led to higher than anticipated receipts.
- (g) This is mainly caused by the under recovery of receipts from employers.
- (h) Less use of the payment in advance of receipt facility also meant a lower level of Appropriation in Aid would be expected to reflect lower spending levels.
- (i) Less use of the payment in advance of receipt facility also meant a lower level of Appropriation in Aid would be expected to reflect lower spending levels.
- (j) The Department received more repayments of student loans than was originally forecast.
- (k) Student Loan interest was greater than expected due to more repayments of student loans than was originally forecast.
- (l) Due to lower than expected take up of ESF eligible people on government programmes and to the timing of receipts from the EC.
- (m) Due to higher than anticipated miscellaneous receipts mainly from revaluation of specific properties, recoveries of payment to TECs and others that were overpaid in prior financial years.

<b>Losses Statement</b>	<b>£000</b>
<b>Total (13,851 cases)</b>	<b>1,175</b>
<b>Special Payments</b>	<b>£000</b>
<b>Total (104 cases)</b>	<b>345</b>

**Details****Special payments include:**

4 payments totalling £132,334.73. These are extra contractual payments made to organisations where the Voluntary Sector was not in a position to provide the necessary match funding and the EC Auditors considered that the ESF running costs previously used as match funding were ineligible.

**Other Notes****1 Section A**

The accounts of the British Educational Communications and Technology Agency, Qualifications and Curriculum Authority, and Teacher Training Agency are published separately as White Papers. The Education Transfer Council ceased to exist from 31 December 2000 and therefore their White Paper covered the period 1 April 2000 to 31 December 2000.

**2 Section A4**

This subhead includes payments of £276,252,901.15 to local authorities in respect of performance related pay for head teachers, deputy teachers and advanced skills teachers; increases in salary due to teachers crossing the performance threshold; deputy head teacher assimilation costs; and appointments to assistant head teacher posts. These are subject to audit under the arrangements made by the Audit Commission by 31 December after the financial year in which money is spent. Further certification of the claims for this work could result in adjustments to next year's figures.

**3 Section B**

The accounts of the Further Education Funding Council and Higher Education Funding Council for England are published separately as White Papers.

**Explanatory Notes on Expenditure and Receipts—continued****Other Notes—continued****4 Section F**

The accounts of the Disability Rights Commission and the Equal Opportunities Commission are published separately as White Papers.

**5 Section R***Loans remitted in the year*

Loans totalling £1,133,000 issued by the Student Loans Company were remitted during the year mainly due to 332 deaths (£857,000) and 105 disabled borrowers (£267,550.16). Of this total £989,000 is attributed to funds provided from Section R. The remainder is attributed to the separate Votes for the Student Awards Agency for Scotland (£131,000) and the Department of Higher and Further Education, Training and Employment (Northern Ireland) (£10,000).

*Shares held at 31 March 2001*

Student Loans Company Limited

Five ordinary shares of £1

*Cost of Shares*

£

5

- 6 At the start of the year, undispersed EC receipts of £225.8 million were held. During the year, a further total of £435.1 million was received from the Commission. Of the total held, £90.9 million was paid to Government under receipts of other classes. A further £254.3 million was paid to parties under Objectives D E, K and L, and £15.5 million to parties under other Votes. The balance of funds will be dispersed when valid claims are received.



Service	Estimated	Actual	Expenditure compared with Grant	
			Saving	Excess
<b>Objective D</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Agency payments on behalf of the European Communities (Net)</b>				
Payments to non-Exchequer bodies other than local authorities for training and employment projects assisted by the European Social Fund	258,376	151,674	—	—
<i>Less Refunds</i>	—	23,426	—	—
<b>Total Expenditure</b>	<b>258,376</b>	<b>128,248</b>	<b>130,128</b>	<b>—</b>
<i>Less</i>				
Receipts from the EC to meet the above payments	258,375	128,248	—	130,127
<b>Net Total</b>	<b>1</b>	<b>—</b>	<b>130,128</b>	<b>130,127</b>
		<b>Net Saving</b>	<b>1</b>	

Service	Estimated	Actual	Expenditure compared with Grant	
			Saving	Excess
<b>Objective K</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Agency payments on behalf of the European Communities (Net)</b>				
Payments to local authorities for training and employment projects assisted by the European Social Fund	29,747	25,468	—	—
<i>Less Refunds from Local Authorities</i>	—	2,647	—	—
<b>Total Expenditure</b>	<b>29,747</b>	<b>22,821</b>	<b>6,926</b>	<b>—</b>
<i>Less</i>				
Receipts from the EC to meet the above payments	29,746	22,821	—	6,925
<b>Net Total</b>	<b>1</b>	<b>—</b>	<b>6,926</b>	<b>6,925</b>
		<b>Net Saving</b>	<b>1</b>	

**Explanations of the Causes of Variation between Expenditure and Grant.**

- D Slower than expected start to new (2000-06) programmes.  
 K Slower than expected start to new (2000-06) programmes.

David Normington  
 Accounting Officer

14 January 2002

**Statement of Grants in Aid and International Subscriptions**

	Grant £000	Expenditure £000
<b>Non Department Public Bodies (NDPB's)</b>		
<b>Section A</b>		
British Educational Communications and Technology Agency (BECTA)	4,725	4,725
Education Transfer Council (ETC)	654	490
Qualification and Curriculum Authority (QCA)	61,326	60,039
Teacher Training Agency (TTA)	319,819	311,034
<b>Section B</b>		
Further Education Funding Council (FEFC)	3,654,662	3,593,970
Higher Education Funding Council for England (HEFCE)	4,337,709	4,337,709
Investors in People (IIP)	1,577	1,577
Learning Skills Council (LSC)	19,634	20,646
Student Loans Company (SLC)	34,956	30,978
<b>Section F</b>		
Equal Opportunity Commission (EOC)	8,686	8,373
Disability Rights Commission (DRC)	12,051	12,051
<b>International Subscriptions</b>		
<b>Section B</b>		
International Labour Organisation	6,899	6,899

*David Normington*  
Accounting Officer

14 January 2002

## Statement on the System of Internal Financial Control

This statement is given in respect of the Appropriation Account for Class I, Vote 1. As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget. New budgeting arrangements have been developed to reflect the new public expenditure planning and monitoring system following the Comprehensive Spending Review;
- procedures to review and agree budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts. An accounting system is in place to meet the needs of resource accounting and ensure that the Department's critical financial systems will continue to operate effectively in the year 2000 and beyond and,
- clearly defined capital investment control guidelines.

The Department has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. The Head of Internal Audit (HIA) provides me with regular reports on internal audit activity in the Department. An annual report provides me with the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive managers within the Department, who have responsibility for the development and the maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

### Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by the Treasury.

*David Normington*  
Accounting Officer

14 January 2002

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

I certify that I have audited the financial statements on pages 1 to 23 under the Exchequer and Audit Departments Acts 1866 and 1921.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 25. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class I, Vote 1, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 25 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class I, Vote 1 for the year ended 31 March 2001; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

*John Bourn*  
Comptroller and Auditor General

25 January 2002

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

## Teachers' Superannuation: England and Wales

Summary of Outturn, and the Account of the sum expended, in the year ended 31 March 2001, compared with the sum granted, for expenditure by the Department for Education and Employment on superannuation allowances and gratuities, etc, in respect of teachers, and the widows, widowers, children and dependants of deceased teachers, and for premature retirement compensation payments made to members of the Teachers' Pension Scheme and on behalf of their employers.

### Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Spending in Annually Managed Expenditure</b>						
<b>Central government spending</b>						
<i>A: Pensions and associated payments</i>						
	3,725,001	2,075,000	1,650,001	3,716,842	2,148,185	1,568,657
<b>Total</b>	<b>3,725,001</b>	<b>2,075,000</b>	<b>1,650,001</b>	<b>3,716,842</b>	<b>2,148,185</b>	<b>1,568,657*</b>

\*This figure is £73,185,123.63 less than the net total of expenditure on the Appropriation Account, being the difference between the Appropriations in Aid realised (£2,148,185,123.63) and those authorised to be applied (£2,075,000,000.00).

## Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Annually Managed Expenditure</b>				
<b>Central government spending</b>				
<b>Pensions and associated payments</b>				
<b>Section A</b>				
A4 Grants and transfers: current	3,725,001	3,716,842	8,159	—
<b>Gross Total</b>				
<i>Original</i>	3,675,000			
<i>Supplementary</i>	<u>50,001</u>			
	3,725,001	3,716,842	8,159	—
			Surplus of Gross Estimate over Expenditure	
			<u>8,159</u>	
			Net Surplus	
			<u>8,159</u>	
<b>Deduct</b>				
AZ Appropriations in Aid				
<i>Original</i>	2,025,000			
<i>Supplementary</i>	<u>50,000</u>			
	2,075,000	2,075,000		
<b>Net Total</b>				
<i>Original</i>	1,650,000			
<i>Supplementary</i>	<u>1</u>			
	1,650,001	1,641,842		
			<b>Actual surplus to be surrendered</b>	
			<b><u>£8,158,904.15</u></b>	

The surplus of £89,331,693.31 shown in the account for Teachers' Superannuation, England and Wales (Department for Education & Employment), class I, Vote 2 for the year ended 31 March 2000 has been surrendered.

David Normington  
Accounting Officer

14 January 2002

**Explanatory Notes on Expenditure and Receipts****1 Receipts payable to the Consolidated Fund**

	Estimated £000	Realised £000
(i) Receipts of classes authorised as Appropriations in Aid	2,075,000	2,148,185
(ii) Receipts of other classes	—	738
<b>Gross Total</b>	<b>2,075,000</b>	<b>2,148,923</b>
<b>Appropriated in aid</b>		<b>2,075,000</b>
<b>Net total</b>		<b>73,923</b>
<b>Actual sum payable separately to the Consolidated Fund</b>		<b>£73,922,648.06</b>

**Losses Statement**

Total (3,843 cases)

£000

170

**Other Notes**

In this figure is a total of 528 Guaranteed Minimum Pension (GMP) overpayment cases totalling £101,899.07 which occurred as a result of the failure of National Insurance Contributions Office (NICO) to provide information to public service pension schemes about entitlement to the GMP element of the individual's pension and hence did not prevent the further uprating (indexing) of the GMP element by the scheme administrators.

*David Normington*  
Accounting Officer

14 January 2002

## Statement on Internal Financial Control

This statement is given in respect of the Appropriation Account for Class I, Vote 2. As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget. New budgeting arrangements have been developed to reflect the new public expenditure planning and monitoring system following the Comprehensive Spending Review;
- procedures to review and agree budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts. An accounting system is in place to meet the needs of resource accounting and ensure that the Department's critical financial systems will continue to operate effectively in the year 2001 and beyond and,
- clearly defined capital investment control guidelines.

The Department has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the Department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. The Head of Internal Audit (HIA) provides me with regular reports on internal audit activity in the Department. An annual report provides me with the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive managers within the Department, who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Part of the system for verifying the completeness of contribution income and membership records relies on audited returns made by employers to the Teachers Pensions Scheme. Such audited returns are provided for by regulation, and employers are required to make these audited returns when requested to do so. There have been significant levels of non-audited returns by employers for the 2000-01 financial year, which has severely limited my ability to ensure that all contributions have been correctly remitted to the scheme, and that membership records have been adequately maintained.

### Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by the Treasury.

*David Normington*  
Accounting Officer

14 January 2002



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

I certify that I have audited the financial statements on pages 27 to 29 under the Exchequer and Audit Departments Acts 1866 and 1921.

## Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 30. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the Appropriation Account properly presents the expenditure and receipts of Class I, Vote 2, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 30 reflects compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. However, the evidence available to me was limited because the Department were unable to provide evidence to support the level of contributions due from certain participating employers. In consequence, I was unable to carry out auditing procedures to confirm that contributions from these employers totalling £644 million were complete and accurate. There were no other satisfactory audit procedures that I could adopt to confirm that contributions income due from all participating employers have been paid in accordance with Scheme rules and were complete and accurate.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Qualified opinion arising from limitation in audit scope

In my opinion:

- Except for any adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the completeness and measurement of contributions income, the appropriation account properly presents the expenditure and receipts of Class I, Vote 2 for the year ended 31 March 2001; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

In respect alone of the limitation on my work relating to the contributions income:

- I have not obtained all the information and explanations that I considered necessary for the purpose of my audit.

Details of this matter are set out in my report.

*John Bourn*  
Comptroller and Auditor General

25 January 2002

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

## Employment Service

**Summary of Outturn and the Account of the sum expended, in the year ending 31 March 2001, compared with the sum granted, for expenditure by the Employment Service of the Department for Education and Employment on: measures to help people, particularly people who are unemployed, people with disabilities, lone parents and other people on benefit into work; the elements of the delivery of the Jobseeker's Allowance undertaken by the Employment Service; the administration and delivery of, and where appropriate the payment of allowances and grants to people participating in, the Welfare to Work programme and other employment programmes, pilot programmes and new measures to help people into work; the payment of temporary subsidies to employers; the payment of grants to voluntary bodies and local authorities towards the provision of supported employment; a grant in aid and the provision of a temporary loan facility to Remploy Limited; initiatives with other government departments and local authorities under the Invest to Save Budget; assistance and advice on employment services and labour market issues to international organisations; research; publicity; administration; and development work for the new working age agency.**

### Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits</b>						
<b>Central government spending:</b>						
<b>to help people without a job into work</b>						
A	1,122,316	72,418	1,049,898	1,111,538	68,263	1,043,275
<b>To help people without a job into work (as part of the NEW DEAL)</b>						
B	89,076	—	89,076	89,076	—	89,076
<b>Support for local authorities:</b>						
<b>to help people without a job into work</b>						
C	35,242	—	35,242	32,923	—	32,923
<b>Welfare to work spending in Departmental Expenditure Limits</b>						
<b>Central government spending:</b>						
<b>to help people without a job into work (as part of the NEW DEAL)</b>						
D	670,994	12,640	658,354	464,007	13,428	450,579
<b>Spending in Annually Managed Expenditure</b>						
<b>Central government spending:</b>						
<b>to help people without a job into work (as part of the NEW DEAL)</b>						
E	102,600	—	102,600	41,637	—	41,637
<b>Total</b>	<b>2,020,228</b>	<b>85,058</b>	<b>1,935,170</b>	<b>1,739,181</b>	<b>81,691</b>	<b>1,657,490</b>

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in departmental expenditure limits</b>				
<b>Central government spending:</b>				
<b>To help people without a job into work</b>				
<b>Section A:</b>				
<b>Direct expenditure</b>				
A1 Running costs	884,977	871,435	13,542	
A2 Other current	59,450	89,507		30,057
A3 Capital	17,437	17,572		135
<b>Grants and transfers</b>				
A4 Current	149,525	128,175	21,350	
A5 Capital	10,927	4,849	6,078	
<b>To help people without a job into work (as part of the NEW DEAL)</b>				
<b>Section B:</b>				
<b>Direct expenditure</b>				
B1 Running costs	18,826	18,826	—	
B2 Other current	70,250	70,250	—	
<b>Support for local authorities:</b>				
<b>To help people without a job into work</b>				
<b>Section C:</b>				
<b>Grants and transfers</b>				
C4 Current	32,347	31,256	1,091	
C5 Capital	2,895	1,667	1,228	

#### Explanations of the causes of variation between grant and expenditure

A2 Expenditure reflects the greater than expected take up on some ES programmes and the expenditure on ONE programmes for which no programme provision had been identified. The overspend will be adjusted as part of the virement exercise to reclassify underspend from A1, A4, A5, C4 and C5.

A4, A5 and C5. The estimation of the split of mainstream programmes expenditure between grants and transfers (A4, A5 and C5) and direct expenditure (A2) has led to an underspend on the former which offsets an overspend on the latter.

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Welfare to work spending in departmental expenditure limits</b>				
<b>Central government spending:</b>				
<b>To help people without a job into work (as part of the NEW DEAL)</b>				
<b>Section D:</b>				
<b>Direct expenditure</b>				
D1 Running costs	210,895	163,208	47,687	
D2 Other current	165,889	184,148		18,259
D3 Capital	—	1,769		1,769
D4 Grants and transfers: Current	294,210	114,882	179,328	
<b>Spending in annually managed expenditure</b>				
<b>Central government spending:</b>				
<b>To help people without a job into work (as part of the NEW DEAL)</b>				
<b>Section E:</b>				
E4 Grants and transfers: Current	102,600	41,637	60,963	

#### Explanations of the causes of variation between grant and expenditure

D1 The underspend is due to lower than expected business volumes in all New Deal strands.

D2 As mentioned above for mainstream programmes, the estimation of the split of New Deal Programmes expenditure between direct expenditure (D2) and grants and transfers (D4) has led to a shortfall of funds in D2 with a compensating excess in D4.

D3 The reclassification of running costs from D1 to D3 to cover Estates Capital projects was agreed by HM Treasury. The overspend will be adjusted by virement of £1.769 million from D1.

D4 The underspend is due to lower than planned take up of various New Deal programme options which resulted in lower expenditure on allowances.

E4 The underspend is due to lower than planned take up of the Employment Credit for ND50+.

Service	£000	Grant £000	Expenditure £000	Expenditure compared with Grant	
				Less than Granted £000	More than Granted £000
<b>Gross Total</b>					
<i>Original</i>	1,900,059				
<i>Supplementary</i>	59,558				
<i>Supplementary</i>	<u>60,611</u>				
		2,020,228	1,739,181	331,267	50,220
				Surplus of Gross Estimate over Expenditure <u>281,047</u>	
<b>Deduct</b>		Estimated	Realised		
<b>Z Appropriations in Aid</b>		£000	£000		
<i>Original</i>	56,465				
<i>Supplementary</i>	2,320				
<i>Supplementary</i>	<u>26,273</u>				
		85,058	81,691		3,367
<b>Net Total</b>					
<i>Original</i>	1,843,594				
<i>Supplementary</i>	57,238				
<i>Supplementary</i>	<u>34,338</u>				
		1,935,170	1,657,490		Net Surplus <u>277,680</u>

Actual surplus to be surrendered £277,680,248.83

The surplus of £721,406,589.26 shown in the account of the Vote for Department for Education and Employment: Employment Service, Class I, Vote 3 for the year ended 31 March 2000 has been surrendered.

*Leigh Lewis*  
21 September 2001

## Explanatory Notes on Expenditure and Receipts

### 1. Expenditure Items

#### New Deal Participants Employed by the ES

In accordance with the guidance issued by the Cabinet Office in February 1998 the ES welcomed the opportunity to be an employer of participants within New Deal. The Employment Option of New Deal offers employers up to £60.00 per week as a subsidy, for up to six months, and up to £750 towards training for an approved qualification when employing a New Deal participant.

The running costs expenditure of Section A is shown net of the subsidies and training allowances the ES has received as an employer of New Deal participants. These subsidies and allowances are recorded as expenditure under Section D. The details are as follows:

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits</b>				
<b>Central government spending:</b>				
<b>To help people without a job into work</b>				
<b>Section A:</b>				
A1 Direct expenditure running costs	884,977	871,435	13,542	—

Within the expenditure figure of £871,434,526.60 the costs of employing New Deal participants were:

Salary costs	£1,175,351.00	
Training costs	£170,567.00	
<b>Total Costs</b>		<b>£1,345,918.00</b>
Subsidies received from Section D	£203,450.00	
Training allowance received from Section D	£35,000.00	
<b>Total Receipts</b>		<b>£238,450.00</b>
<b>Net expenditure within Section A</b>		<b>£1,107,468.00</b>

#### Remploy Ltd

Remploy Ltd is a government sponsored private company and is the largest single provider of supported employment. The performance of Remploy Ltd is measured against targets negotiated annually with the Secretary of State for Education and Employment. Funding for Remploy Ltd is granted under sections A4 and A5 and expenditure for 2000–01 was as follows:

	Expenditure
	£000
A4 Grants and transfers: current	95,661
A5 Grants and transfers: capital	3,500

Remploy Ltd has financial flexibility to rebalance its funding between current and capital to enable it to best meet operational needs. Remploy Ltd also has the facility to drawn down a temporary loan of up to £5,000,000. This facility was not used during 2000–01.

**Explanatory Notes on Expenditure and Receipts—continued****2. Receipts Payable to the Consolidated Fund**

	Estimated £000	Realised £000
(i) Receipts of classes authorised as appropriations in aid	85,058	81,691
(ii) Receipts of other classes	6,018	9,308
<b>Gross Total</b>	<b>91,076</b>	<b>90,999</b>
 Appropriated in aid		81,691
<b>Net total</b>		<b>9,308</b>
Actual sum payable separately to the Consolidated Fund		£9,308,344.27

**Explanation of the causes of variation between estimated and realised receipts**

Receipts of other classes. The variance is due to miscellaneous monies received for which no estimate was made. These receipts are of types not permitted to be retained as appropriations in aid and are therefore surrendered to the Consolidated Fund.

**Details of Receipts**

	Current £000	Capital £000
(i) Receipts of classes authorised as appropriations in aid [81,691]		
Section A—To help people without a job into work (Note A)	66,585	1,678
Section D—To help people without a job into work as a part of the New Deal (Note B)	13,428	—
<b>Total</b>	<b>80,013</b>	<b>1,678</b>

**Note A**

*Current receipts comprises the recovery from the Department of Social Security of the cost of work done on behalf of the Benefits Agency; the recovery of the costs of administering allowance payments for work based learning for adults in Scotland and Wales; rent and similar receipts; the Employment Service (ES) private mileage scheme; recovery of salary costs of ES staff seconded to other organisations; recovery from the European Commission of the costs of work on European Employment Services (EURES); the ES Revenue Generation Scheme; receipts from Working Links; receipts from selling services under the Wider Markets Initiative; work undertaken on labour market issues in eastern Europe; receipts from sponsors of supported placements in the ES; repayment of temporary loans by Remploy Limited; sale of Remploy Limited capital assets; receipts in respect of vending machines; the recovery of excess payments made on ES employment measures and refunds of VAT relating to contracted out services. Capital receipts relate to property disposals and the sale of surplus equipment.*

**Note B**

*Comprises the recovery of excess payments made on New Deal employment measures; recovery of salary costs of ES staff seconded to other organisations delivering New Deal and refunds of VAT relating to contracted out services.*

	Current £000	Capital £000
(ii) Receipts of other classes [9,308]		
Relating to the ES barter deal (Note C)	6,018	—
Other receipts	3,290	—
<b>Total</b>	<b>9,308</b>	<b>—</b>

**Explanatory Notes on Expenditure and Receipts—continued****2. Receipts Payable to the Consolidated Fund—continued***Note C*

*The ES transferred its IT equipment to EDS on 1 August 1998. In exchange for the assets, the ES receives a reduction in EDS service charges over the first four years of the partnership agreement. Under Treasury rules, the ES is not permitted to retain the savings, and a sum equivalent to the reduction in fees must be paid over to the Consolidated Fund each year.*

**Losses Statement**

	<b>£'000</b>
<b>Total (8,323 cases)</b>	<b>970</b>
Losses arising from the overpayment of New Deal grants and subsidies account for 7,806 of the 8,323 cases reported.	

**Special Payments**

<b>Total (206 cases)</b>	<b>434</b>
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**Other Notes**

- 1 In line with government accounting requirements, expenditure is shown inclusive of VAT. Any VAT subsequently recovered on contracted out services is credited to Appropriations in Aid.



## Statement on the System of Internal Financial Control

1. This statement is given in respect of the appropriation account for Class I, Vote 3. As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. I carried out this responsibility in conjunction with the Principal Accounting Officer for the Department for Education and Employment. The relationship between us is set out in the Employment Service Framework Document.

2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the Agency. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Employment Service Board;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts, and which are reviewed by the Employment Service Board;
- clearly defined capital investment control guidelines; and
- formal project management disciplines.

4. The Employment Service has an Internal Audit service that operates to standards defined in the Government Internal Audit Manual. The work of Internal Audit is informed by an analysis of the risk to which the Agency is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Agency's Corporate Governance Committee and approved by me. At least annually, the Head of Internal Audit provides me with a report on internal audit activity in the Agency. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's system of internal financial control.

5. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors; the Corporate Governance Committee which oversees the work of Internal Audit; the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework; and comments made by the external auditors in their management letters and other reports. Such comments are incorporated into action plans, and progress on the implementation of action plans is monitored throughout the year by the Corporate Governance Committee.

### Implementation of the Turnbull Report

6. As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with HM Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with DAO (GEN) 13/2000.

*Leigh Lewis*  
Accounting Officer

21 September 2001

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

I certify that I have audited the financial statements on pages 1 to 8 under the Exchequer and Audit Departments Acts 1866 and 1921.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 11 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on pages 9 and 10. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class I, Vote 3, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 and 10 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class I, Vote 3 for the year ended 31 March 2001; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

*John Bourn*  
Comptroller and Auditor General

9 January 2002

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

## Office of Her Majesty's Chief Inspector of Schools in England

Summary of Outturn and the Account of the sum expended, in the year ended 31 March 2001, compared with the sum granted, for expenditure by the Office of Her Majesty's Chief Inspector of Schools in England on administration and inspection, including the inspection of schools and other educational institutions, funded nursery providers and Local Education Authorities; the regulation of childminders and daycare for young children and inspecting the education of 16 to 19 year olds.

### Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
A	105,140	640	104,500	103,941	1,842	102,099
<b>Total</b>	<b>105,140</b>	<b>640</b>	<b>104,500</b>	<b>103,941</b>	<b>1,842</b>	<b>102,099*</b>

\* This figure is £1,202,000 less than the net total of expenditure in the Appropriation Account, being the difference between the appropriations in aid realised (£1,842,000) and those authorised to be applied (£640,000).

**Account**

Service	£000	Grant £000	Expenditure £000	Expenditure compared with Grant	
				Less than Granted £000	More than Granted £000
<b>Section A</b>					
<b>Direct expenditure</b>					
Administration and inspection					
A1 Running costs	13,500		13,160	340	
A2 Other current	88,390		89,140		750
A3 Capital	3,250		1,641	1,609	
<b>Gross Total</b>		<b>105,140</b>	<b>103,941</b>	<b>1,949</b>	<b>750</b>
		<b>Estimated £000</b>	<b>Applied £000</b>	<b>Surplus of Gross Estimate Over Expenditure <u>1,199</u></b>	
<i>Deduct</i>					
<b>Z Appropriations in Aid</b>					
<i>Original</i>		640	640		
				<b>Net Surplus <u>1,199</u></b>	
<b>Net Total</b>		<b>104,500</b>	<b>103,301</b>		

**Actual surplus to be surrendered****£1,199,099.66****Explanation of the causes of variation between Expenditure and Grant.**

The £3.25 million Estimate for Capital was about £2 million higher than previous years due to a requirement to purchase items in preparation for new responsibilities under the Care Standard Act 2000.

In the event it was decided to outsource most of the capital requirement thus leading to a capital underspend.

The surplus of £8,545,215.07 shown in the account of the vote for the Office of Her Majesty's Inspector of Schools in England (Class I Vote 4) for the year ended 31 March 2000 has been surrendered.

**Receipts payable to the Consolidated Fund**

	Estimated £000	Realised £000
Receipts of classes authorised to be used as Appropriations in Aid	640	1,842
Receipts of other classes	1	28
<b>Gross Total</b>	<b>641</b>	<b>1,870</b>
Appropriated in Aid		640
<b>Net Total</b>		<b>1,230</b>
<b>Actual sum payable separately to Consolidated Fund</b>		<b>£1,230,151.96</b>

**Details of Receipts**

	Estimated £000	Realised £000
(i) Receipts authorised to be used as Appropriations in Aid	640	1,842
(ii) Receipts of other classes		
Miscellaneous	1	28
<b>Total</b>	<b>641</b>	<b>1,870</b>

*Michael Tomlinson*  
Accounting Officer

27 September 2001

## Statement on the System of Internal Financial Control

This statement is given in respect of the appropriation account for Class I, Vote 4. As Accounting Officer for OFSTED, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administration procedures including segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within OFSTED. In particular, the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Principal Finance Officer;
- regular reviews by the Directorate of monthly and annual financial reports which indicate financial performance against the forecasts;
- regular reviews by the Head of Finance with budget managers to assess financial control, budget variances and forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.
- an outsourced internal audit service. This service operates to the standards of the Government Internal Audit Manual;
- an Audit Committee which meets 3 times each year;
- a Head of Internal Audit who reports to me. This means, as a minimum, an annual report presented personally to me on the work and findings of the internal audit service and their independent opinion on the adequacy and effectiveness of the systems of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by:

- executive managers within OFSTED who each prepare an internal financial control statement for their area of budgetary and financial authority;
- the work of the internal auditors as described above; and
- the external auditors in their management letter and other reports.

### Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.

*Michael Tomlinson*  
Accounting Officer

27 September 2001

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

I certify that I have audited the financial statements on pages 41 to 43 under the Exchequer and Audit Departments Acts 1866 and 1921.

## Respective responsibilities of the Accounting Officer and Auditor

As described on page 3, the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 44. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the appropriation account properly presents the expenditure and receipts of Class I, Vote 4, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 44 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class I, Vote 4 for the year ended 31 March 2001; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

*John Bourn*  
Comptroller and Auditor General

31 October 2001

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

## SURE START

**Summary of Outturn** and the Account of the sum expended, in the year ended 31 March 2001, compared with the sum granted, for expenditure by the Department for Education and Employment on promoting the physical, intellectual, and social development of your children; supporting families and communities; evaluating the programme; and the administration of the Sure Start Unit.

### Summary of Outturn

Section	Estimated			Actual		
	Gross Expenditure	Appropriations in Aid	Net Expenditure	Gross Expenditure	Appropriations in Aid	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Spending in Department Expenditure Limits (DEL)</b>						
<b>Central government spending</b>						
<b>A</b>	184,779	379	184,400	42,956	84	42,872
<b>Total</b>	<u>184,779</u>	<u>379</u>	<u>184,400</u>	<u>42,956</u>	<u>84</u>	<u>42,872</u>



## Account

Service	Grant	Expenditure	Expenditure compared with Grant	
			Less than Granted	More than Granted
	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL)</b>				
<b>Central government spending</b>				
Ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world				
A1 Direct expenditure: running costs	1,676	1,947	—	271
A2 Direct expenditure: other current	1,232	932	300	—
A3 Direct expenditure: capital	1,025	158	867	—
A4 Grants and transfers: current	106,267	24,904	81,363	—
A5 Grants and transfers: capital	74,579	15,015	59,564	—

## Explanations of the causes of variation between grant and expenditure

- A1 An increase in resources needed to strengthen the unit and expand support for local programmes was approved by Sure Start's ministerial Steering Group in July 2000. This increase on the original allocation of running costs was subsequently presented to Parliament through a written question on 26 February 2001 and is therefore not included in the presentation of the results above.
- A3 These figures include money for the IT finance & information system. Work has begun this year on scoping and developing systems options. This balance of expenditure is expected to occur in 2001-02 with expected project completion in April 2002.
- A4-A5 By the end of 2001, 129 Sure Start programmes were operational and a further 20 had received approval. Experience over the first year of operation (59 trailblazer programmes) has shown that it takes longer than predicted to engage in community consultation and partnership working which is essential to the success of the programme. As a result initial capital and revenue grant allocations have not been spent fully in 2000-01.

**Account**

Service	£000	Grant £000	Expenditure £000	Expenditure compared with Grant	
				Less than Granted £000	More than Granted £000
<b>Gross Total</b>		184,779	42,956	142,094	271
				Surplus of Gross Estimate over Expenditure <u>141,823</u>	
<i>Deduct</i>		Estimated £000	Realised £000		
<b>AZ Appropriations in Aid</b>		379	84		Deficiency of Appropriations in Aid Realised <u>295</u>
<b>Net Total</b>		184,400	42,872		Net Surplus <u>141,528</u>

Actual surplus to be surrendered **£141,527,965.34**

The surplus of £75,914,869.89 shown in the account for Sure Start, Class I, Vote 5 for the year ended 31 March 2000 has been surrendered.

**Explanatory Note on Receipts****1 Receipts payable to the Consolidated Fund**

	Estimated £000	Realised £000
Miscellaneous	<u>—</u>	<u>—</u>
<b>Actual sum payable separately to the Consolidated Fund</b>		<b><u>£70.00</u></b>

*Naomi Eisenstadt*  
Accounting Officer

14 December 2001

## Statement on the System of Internal Financial Control

This statement is given in respect of the appropriation account for Class I, Vote 5. As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability.

In particular, it includes:

- comprehensive budgeting systems with an annual budget;
- procedures to review and agree budgets;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts. An accounting system is in place to meet the needs of resource accounting and ensure that the Sure Start Unit's critical financial systems continue to operate effectively;
- clearly defined capital investment control guidelines.

The Sure Start Unit has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the Sure Start Unit is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Sure Start Unit's Audit Committee and approved by me. The Head of Internal Audit (HIA) provides me with regular reports on internal audit activity in the Sure Start Unit. An annual report provides me with the HIA's independent opinion on the adequacy and effectiveness of the Sure Start Unit's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors and the executive managers within the Sure Start Unit, who have responsibility for the development and the maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

### Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by the Treasury.

*Naomi Eisenstadt*  
Accounting Officer

14 December 2001

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

I certify that I have audited the financial statements on pages 46 to 49 under the Exchequer and Audit Departments Acts 1866 and 1921.

## Respective responsibilities of the Accounting Officer and Auditor

As described on page 3, the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the statement on the system of internal financial control on page 50. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the Appropriation Account properly presents the expenditure and receipts of Class I, Vote 5, and whether in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 50 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the appropriation account properly presents the expenditure and receipts of Class I, Vote 5 for the year ended 31 March 2001; and
- in all material respects the expenditure and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

*John Bourn*  
Comptroller and Auditor General

20 December 2001

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