



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

Annual Report and Accounts 2012-13



July 2013

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

Annual Report and Accounts 2012-13

(For the year ended 31 March 2013)

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Annual Report and Accounts presented to the House of Lords by Command of Her  
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## **Chair's introduction**

I am pleased to present our third Annual Report and Accounts for the year ended 31 March 2013.

We have an important role as the standards regulator in the education and skills system in England. We regulate qualifications, which are the mirror of education, not the education and training itself. However, in our system the content of qualifications in effect becomes the curriculum. For qualifications aimed at young people, this means that qualifications define the 14 to 19 curriculum. For vocational qualifications, (where we also regulate in Northern Ireland), they define the skills that employers are looking for. So qualifications have a vital role. Furthermore, the Government's accountability framework uses qualifications to measure the performance of schools and colleges, and this affects how they are taught and managed. We have learnt much about these issues this year, as this report sets out. Our work, both on continuing standards regulation and qualifications reform, must reflect these complexities.

The way we are run has changed as we have become more closely focused on risk, at both the level of awarding organisations and individual qualifications. This requires more specialist expertise, and we are recruiting for this, though it is slower and more difficult than we would like.

With a small organisation and very large programmes of qualifications reform, there is inevitably some lumpiness in our spending profile. We are planning carefully to ensure that we continue to achieve all our statutory objectives and fully meet the demands of the intensive processes of GCSE, A level and vocational qualifications reform.

Lastly, the 2012-13 year's financial outcome was affected by the judicial review related to GCSE English in 2012. The heavy costs of the preparatory and legal work together with the uncertainty around recovery meant we were obliged to put all uncommitted expenditure on hold in the latter part of the year. In the event we were able to hold costs down below expectations.

Overall, I believe this report reflects the hard work put in by everyone at Ofqual, and the quality and value for money of what we accomplish. I thank both members of staff and the many people elsewhere with whom we work.

Amanda Spielman

Chair  
June 2013

## Management commentary

### Introduction

This is our third Annual Report and Accounts. It presents our aims, activities and performance, and the expenditure incurred, in the year ending 31 March 2013. We also present Annual Reports to Parliament and the Northern Ireland Assembly on our work in 2012-13 in accordance with section 171 of the Apprenticeships, Skills, Children and Learning Act 2009 (ASCL Act).

We were established on 1 April 2010 as a non-ministerial department to regulate qualifications and assessments. We are independent of Government and report to Parliament, usually through the Education Select Committee. We regulate qualifications, exams and assessments in England and vocational qualifications in Northern Ireland. We also keep under review statutory (National Curriculum and Early Years) assessments in England.

Our remit covers academic and vocational qualifications awarded or authenticated in England, and vocational qualifications awarded or authenticated in Northern Ireland. We cannot regulate foundation degrees, first degrees or degrees at a higher level. Regulation is voluntary, and many qualifications that are not bought with public funds are not regulated. We work with qualifications regulators in other parts of the UK so that, as far as possible, qualifications standards are comparable, though there have been some significant challenges here in the last year.

We regulate around 175 awarding organisations, with the majority of qualifications awarded being general qualifications.<sup>1</sup> We list all recognised awarding organisations and the 20,000 or so regulated qualifications they offer in the Register of Regulated Qualifications: <http://register.ofqual.gov.uk> .

### Principal activities

Our objectives under the ASCL Act, as amended by the Education Act 2011, are:

1. *The qualifications standards objective:* to seek to ensure that regulated qualifications give a reliable indication of knowledge, skills and understanding, and indicate a consistent level of attainment (including over time) between comparable regulated qualifications; and a consistent level of attainment (but not over time) between regulated qualifications and comparable qualifications

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<sup>1</sup> Awarding organisations offering GCSEs and A levels award around seven million qualifications each year.

(including those awarded outside the United Kingdom) which are not qualifications regulated by Ofqual.

2. *The assessments standards objective*: to promote the development and implementation of regulated assessment arrangements which give a reliable indication of achievement, and indicate a consistent level of attainment (including over time) between comparable assessments.
3. *The public confidence objective*: to promote public confidence in regulated qualifications and regulated assessment arrangements.
4. *The awareness objective*: to promote awareness and understanding of the range of regulated qualifications available, the benefits of regulated qualifications to learners, employers and institutions within the higher education sector, and the benefits of recognition under section 132 of the ASCL Act to bodies awarding or authenticating qualifications.
5. *The efficiency objective*: to seek to ensure that regulated qualifications are provided efficiently and, in particular that any relevant sums payable to a body awarding or authenticating a qualification in respect of which the body is recognised under section 132 of the ASCL Act, represent value for money.

The ASCL Act also gives us a range of duties, including having regard to the reasonable requirements of students and children, employers and higher education institutions.

## **Our work in 2012-13**

The main areas of focus of our work in 2012-13, which are also set out in our Annual Report to Parliament, can be summarised under four headings:

- We have used our regulatory powers to strengthen qualifications.
- We investigated and took action in relation to issues arising in the awarding of GCSE English.
- We began work to reform GCSEs, A levels and vocational qualifications, in part in response to the Government's developing policies.
- We restructured to improve our ability to deliver our objectives.

## **Regulatory activity**

At the core of our day-to-day work is monitoring qualifications and, where necessary, taking action so that qualifications standards are set and maintained at the right level.



This is often not straightforward. We have inherited a number of issues, including some poorly designed qualifications, market distortions and a long period of year-on-year improvements in qualification results in key school qualifications that cannot be explained easily.

We have overseen some short-term changes to deal with the most serious problems, including requiring the redevelopment of GCSEs in some subjects (notably science and geography) where there was evidence of specific problems, and a reduction in the number of assessment opportunities in GCSEs and A levels, because of evidence this was creating a damaging “re-sit culture”. We have also stabilised results both in GCSEs and A levels, by making sure that year-on-year changes in outcomes are only seen where there is evidence to support them.

While much of our focus during the year has concerned qualifications taken in schools and colleges, we also undertook a large volume of work related to vocational qualifications. We recognised two new awarding organisations in the year and accredited 6,404 new qualifications. We conducted 58 monitoring and compliance visits to awarding organisations and took enforcement action in 12 cases, issuing two directions and imposing five special conditions.

## **2012 GCSE English**

In 2012, the first year that a new suite of modular GCSE English qualifications was awarded, unexpected grade boundary changes led some schools to believe that some of their candidates had received lower grades than they should have. Schools were particularly concerned about candidates who were expected to get a grade C and did not, since a grade C is important both to help students progress into further education and employment and in the school accountability framework. These variations between predicted and actual results prompted significant concern about the way the exam was designed and delivered.

We undertook a detailed investigation into what had happened, both in awarding organisations and in schools, and published two reports.<sup>2</sup> We concluded that grading decisions had set the right standards in summer 2012 but the qualification was poorly designed, given the accountability pressures to which it was subject. Sixty per cent of the qualification was in the form of controlled assessment, marked by teachers, and the modular structure allowed a wide range of different routes to be taken through the qualification, which made awarding difficult and led to unfairness.

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<sup>2</sup> [www.ofqual.gov.uk](http://www.ofqual.gov.uk)

In our reports we set out the regulatory action we would take to strengthen the qualification. We agreed with exam boards that they would provide an additional re-sit opportunity in November for GCSE English. We also:

- stopped awarding organisations issuing grades for exams and controlled assessments sat in winter 2013, so that grading would all be done in the summer;
- confirmed the decision, announced in 2011, to end the modularisation of GCSEs in England from September 2013;
- required awarding organisations to improve their communications with schools;
- reduced the tolerances used when controlled assessment marks are moderated.

A group of local authorities, schools and others brought a claim for judicial review against us and two awarding organisations. Following a hearing in December, the application was dismissed in February by the High Court.

We have discussed the wider issues raised by the GCSE English problems with Government and others, and will make sure that the GCSE reform programme takes account of the lessons learnt, particularly the weak design of the previous GCSE English and the need to take account of how qualifications are used when they are designed.

## **Qualifications reform**

During the year, the Government announced its intention to reform and redevelop GCSEs, A levels and apprenticeships in England, to meet its policy objectives. There are also some improvements we want to see, as qualifications regulator, to GCSEs and A levels, beyond the short-term actions we have already taken.

We have, therefore, set in hand programmes to reform GCSEs and A levels, with the aim of new qualifications in some subjects being taught in schools and colleges from September 2015. We have also set in hand a programme to improve the regulatory arrangements for vocational qualifications, including those used for apprenticeships, and we have been discussing with the Department for Business, Innovation & Skills the Government's response to the Richard review of apprenticeships.

Our role in relation to qualifications reform is to regulate so that reformed qualifications will meet their stated purposes and assessments are valid and reliable. We will oversee the timetable and make sure that any delays or problems do not compromise the quality of the qualifications that are developed.

## Organisational development

We completed a restructure, initiated in 2011-12, during 2012-13 to improve our ability to deliver our objectives. We established five directorates (Regulation, Standards and Research, Risks and Markets, Policy and Engagement, and Corporate and Business Services), completed the move of existing staff early in 2012-13, and then started to recruit for the new roles created and began to work in a more focused and coordinated way. Five new Board members were appointed, providing the Board with additional experience, and three new directors were appointed to lead the Risks and Markets, Policy and Engagement, and Corporate and Business Services directorates. To support our new structure, we developed our financial and business planning, risk management and decision-making arrangements.

We have in particular been looking to increase our access to assessment expertise, as recommended by the Education Select Committee in its July 2012 report<sup>3</sup>. Our Standards Advisory Group has developed its role and been an important source of advice for our work, and we have expanded our Standards and Research Directorate, though it has not proved easy to recruit additional expertise to work in-house.

## Performance against our statutory objectives

All the work described above aims to help us meet our statutory objectives. In this report we also have to assess the extent to which we have met our statutory objectives. This section sets out an assessment for each of our objectives.

### Statutory objective 1: the qualifications standards objective

Much of the work set out above contributes to our qualifications standards objective. Securing standards requires qualifications that are well designed, delivered and awarded by well-run organisations with the right skills and governance, and an effective and focused regulatory regime that can take action where necessary. We have made progress in all these areas:

- As noted above, we have made some short-term improvements to a number of key qualifications and set in hand reform programmes that will secure better qualifications in the longer term.

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<sup>3</sup> [www.publications.parliament.uk/pa/cm201213/cmselect/cmeduc/141/141.pdf](http://www.publications.parliament.uk/pa/cm201213/cmselect/cmeduc/141/141.pdf)

- We have been strengthening our expectations of recognised awarding organisations, completing early in the year the first round of statements of compliance by all awarding organisations with our new General Conditions of Recognition.
- We are continuing to develop our regulatory arrangements to make a reality of our risk-based approach to regulation. We undertook a range of standards comparability and monitoring reviews, covering a range of general and vocational qualifications, and we have taken regulatory action in a number of cases, as noted above. Our regulatory powers were strengthened at the beginning of the year with the introduction of a power to fine, a power that we have not yet had cause to use.

However, there is still work to be done. Our work on the GCSE English awarding problems demonstrates our determination to secure standards, even where it means facing criticism and challenge.

We have also been building our assessment expertise and the research base to support our standards work. To support the new element of the standards objective, inserted by the Education Act 2011, which requires us to seek to secure comparability with the standards of international qualifications, in May 2012 we published a report comparing A levels with pre-university qualifications taken throughout the world. We concluded that, while there are differences, A levels compare well in most subjects.

## **Statutory objective 2: the assessments standards objective**

Statutory National Curriculum assessments are going through a period of significant change at the moment. Our role is to monitor and report in particular on the standards of the assessments, and we produced an annual report on our work in the autumn.<sup>4</sup> We concluded that the new Standards and Testing Agency, part of the Department for Education, had successfully implemented a number of changes to assessment arrangements during 2011-12. We made some recommendations for further improvement.

During the year, we observed the setting of the national standard for the new Phonics Screening Check and made recommendations to the Standards and Testing Agency regarding its implementation. We also discussed, and advised on, the implementation of planned future changes to assessment arrangements with the

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<sup>4</sup> [www.ofqual.gov.uk/files/2012-11-20-national-assessment-arrangements-2011-12.pdf](http://www.ofqual.gov.uk/files/2012-11-20-national-assessment-arrangements-2011-12.pdf)

Standards and Testing Agency and the Department for Education, in light of the planned changes to the National Curriculum.

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

It is not enough for qualifications and assessments to be high quality: it is also important that people can have confidence in them. We aim to improve confidence by raising awareness and understanding of qualifications and assessments, demonstrating that qualifications are fairly and properly awarded, and showing that we will take action to secure standards where we need to. There can be little doubt, though, that short-term confidence was damaged by the criticisms and concerns around GCSE English awarding in the autumn.

Our main measure of confidence is our annual survey of perceptions of A levels, GCSEs and other qualifications, which we most recently published in May 2013.<sup>5</sup> This year, for the first time, we included employers and higher education institutions amongst those we surveyed, along with parents, teachers and the general public. Our findings showed that all the groups we had surveyed had a high degree of confidence in A levels. However, their confidence in GCSEs was lower, as would be expected given the survey was carried out during a time of widespread concern about GCSE English awarding.

We have a range of sources of information to assess confidence in other qualifications. The *UK Commission's Employer Perspectives Survey 2012*,<sup>6</sup> for example, is a valuable source of information. It concluded that "overall perceptions of vocational qualifications appear slightly more positive since the survey was run in 2010" (UK Commission for Employment and Skills, 2012). However, there remains significant concern about whether the vocational qualifications system fully supports the development of the skills the economy needs, including through apprenticeships. We are putting in place plans to improve further our regulatory arrangements for vocational qualifications, and discussing with Government how the system can be developed further.

We also looked specifically at a number of issues about which public concern had been expressed. We researched and published a review of textbooks, published and

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<sup>5</sup> [www.ofqual.gov.uk/files/2013-05-03-perceptions-A-levels-GCSEs-and-other-qualifications-wave11-summary-report.pdf](http://www.ofqual.gov.uk/files/2013-05-03-perceptions-A-levels-GCSEs-and-other-qualifications-wave11-summary-report.pdf)

<sup>6</sup> UK Commission for Employment and Skills (2012) *UK Commission's Employer Perspectives Survey 2012*. Available at: [www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-64-executive-summary.pdf](http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-64-executive-summary.pdf) (accessed 26 June 2013).

sponsored by awarding organisations, to assess whether their design and content could give users an unfair advantage in the associated qualification, which would raise market and standards issues. Our initial conclusion was that they do not.

We also began research into the marking of general qualifications, reflecting concerns expressed about the quality of marking, and published an initial report in June 2013. And we launched a review of controlled assessment in GCSEs, which concluded with a report, also published in June 2013.

#### **Statutory objective 4: the awareness objective**

The awareness objective complements the public confidence objective. We have to try and raise awareness and understanding of qualifications and the benefits of regulation. We publish on our website a register of all regulated qualifications, and we have been considering how we can improve the usefulness of the information we publish. The annual survey of perceptions, referred to above, shows that awareness of us (and, therefore, our regulatory arrangements) is growing, but remains low, especially amongst employers and the general public. It will take time to develop widespread awareness of the fact that there is a qualifications regulator, and the benefits of choosing a regulated qualification.

We have continued over the year to develop our links with a wide range of stakeholders, both the providers of qualifications, such as schools and colleges and their representatives, and the users, such as employers and universities. We need to understand their perspectives on qualifications so we can consider how the system needs to respond and how our regulatory arrangements need to develop.

#### **Statutory objective 5: the efficiency objective**

We have an on-going piece of work to assess the health of the qualifications market, which will help us to assess how far this objective is being met and determine what action we might need to take as a qualifications regulator. As noted above, as part of this work we researched and produced a review of textbooks, published and sponsored by awarding organisations. We also set in hand work to follow up specific concerns raised by the Education Select Committee in its July 2012 report about links between Pearson Edexcel's syllabus materials and textbooks.

During the year, we also published our annual market report, providing factual information about how the market works to inform our own work and others' understanding of the market.

We are concerned too about the burden of qualifications: the time, administrative burden and fees, and other costs of exams and other assessments. Although not the main reason for the reduction in the number of assessment opportunities at GCSE

and A level, these changes will help to reduce the cost and burden of these assessments, freeing up time for teaching. Our review of controlled assessment was prompted in part by concerns about the burden of these arrangements.

### **Future priorities: plans for 2013-14**

Our activities relate to both the short term (for example, taking regulatory action in respect of a particular incident) and the long term (for example, changes in qualification design). This requires us to be responsive to current events while also thinking about opportunities for improvement in the longer term and the long-term consequences of decisions taken now. The problems with GCSE English we uncovered in 2012 have their roots in decisions taken by our predecessor body in 2007. Looking ahead, schools will start to teach the first reformed GCSEs in autumn 2015, and they will be examined for the first time in summer 2017. The results achieved in the reformed exams will be considered by universities and employers for students leaving education and training in summer 2019, so their impact on future economic output and society will not be visible for the best part of a decade.

In 2013-14 we will continue the reform programmes for GCSEs, A levels and vocational qualifications to lay the foundations for high-quality qualifications to be developed in the future. We will continue to work and engage with others to develop the system and our understanding of it. We will monitor qualifications standards, particularly GCSEs and A levels, and take action where we need to. We will continue to improve our regulatory arrangements so that we are focused on the areas of greatest risk, and can explain how our regulation helps to secure standards across all qualifications. To support all this, we will continue to build our capacity and capability – our staff numbers will increase to around 200 by the end of 2013-14, and we will improve our expertise, leadership and development arrangements, and our associated processes and systems.

One particular challenge over the coming year will be the changes to the regulation of qualifications across England, Wales and Northern Ireland. In the past, the qualifications regulators in the three countries have sought to maintain broad comparability between the qualifications they offer, even where the qualifications reflect different policy priorities, education being a devolved matter. Now, however, it is clear that the different approaches between the three countries are such that it will be very difficult to secure comparability of at least some qualifications. We will work with the other qualifications regulators and Government to manage the implications of this and minimise disruption from the change, especially for students.

Our administration and programme resources provided by the 2012-15 Comprehensive Spending Review were £17.1 million in 2012-13, and they will reduce to £16.4 million in 2013-14 and £15.7 million in 2014-15. These resources

were set before we were established and were set at a level that assumed we would regulate existing qualifications while delivering efficiencies over the Comprehensive Spending Review period in line with wider government policy and economic need. They were also set before we could determine how we would deliver our objectives or what our costs would be. Despite this reduction in resources, our attention to business planning and cost control has increased our capacity to enable us to deliver our initial objectives.

The GCSE and A level reform programmes now require us to do significantly more than envisaged in our 2012-15 Comprehensive Spending Review settlement. Our resources have, therefore, been increased by up to £2.5 million in 2013-14 and £2.0 million in 2014-15. This requires us to develop our business planning and financial management to ensure that what we do is demonstrably value for money. (The rate at which we are able to deliver our planned activity is the most significant factor affecting our financial position, liquidity and cash flow.)

If our resources are reduced in 2015-16 as a result of the 2015-16 Comprehensive Spending Review exercise now being undertaken, activity in 2014-15 will also be affected as action is taken to reduce expenditure to prepare for 2015-16. In the event that resources are reduced in 2015-16, we will have to consider what work we will need to stop doing, reduce in scope or seek to do differently in the light of our priorities nearer the time and in the light of the impact a reduction of resources would have on our ability to meet our statutory objectives.



## Departmental data reporting tables

These tables show the resources we consumed, our capital investment and our expenditure by country and region.

### Table 1: public spending

This table shows our annual expenditure from 2008-09, when we were established in interim form as part of the Qualifications and Curriculum Authority (QCA), to 2012-13, and the expenditure budgeted for the two remaining years of the 2012-15 Comprehensive Spending Review period.

In addition to the monies identified as part of the 2012-15 Comprehensive Spending Review, the Department for Education is providing additional funds to cover the costs of the additional work needed to implement reformed GCSEs and A levels. The Department will provide up to £2.5 million in 2013-14, up to £2 million in 2014-15 and in principle up to £1.5 million in 2015-16, dependent on the outcome of the 2015-16 Comprehensive Spending Review.

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Planned £000	2014-15 Planned £000
Consumption of resources							
<i>Regulation of qualifications</i>	13,317	18,651	15,268	16,132	16,749	16,387	15,717
<b>Total resource DEL</b>	<b>13,317</b>	<b>18,651</b>	<b>15,268</b>	<b>16,132</b>	<b>16,749</b>	<b>16,387</b>	<b>15,717</b>
Resource AME							
<i>Regulation of qualifications</i>	0	0	0	0	0	0	0
<b>Total resource</b>	<b>13,317</b>	<b>18,651</b>	<b>15,268</b>	<b>16,132</b>	<b>16,749</b>	<b>16,387</b>	<b>15,717</b>
Capital spending							
<i>Regulation of qualifications</i>	96	1,016	2,876	602	11	100	100
<b>Total capital</b>	<b>96</b>	<b>1,016</b>	<b>2,876</b>	<b>602</b>	<b>11</b>	<b>100</b>	<b>100</b>
<i>of which</i>							
Capital DEL	0	0	2,876	602	11	100	100
<b>Total public spending</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>	<b>16,760</b>	<b>16,487</b>	<b>15,817</b>

#### Notes:

- Total public spending is the total of resource and capital expenditure less depreciation.
- Our creation on 1 April 2010 was treated as a Machinery of Government Change, and the 2008-09 and 2009-10 figures were supplied by the QCA, who extracted them from its statements of account. No analysis of expenditure is available for these years. The 2009-10 expenditure includes both transitional

and set-up costs. We operated in interim form as part of the QCA up until 31 March 2010. On 1 April 2010 we were established as a non-ministerial government department and had dealings with the Qualifications and Curriculum Development Agency (QCDA), which succeeded the QCA until it closed in 2012.

**Table 2: Public spending control**

This table reconciles Ofqual’s expenditure in 2012-13 with its budgetary control limits.

	2012-13 £000	2011-12 £000
Net resource (estimates)	18,058	18,106
Net operating cost (accounts)	16,749	16,132
Net resource outturn (accounts)	16,749	16,132
Net resource budget (budget)	18,058	18,106
Net Underspend	1,309	1,974

**Notes:**

- Parliament provides the legal authority to incur expenditure through the estimates and supply procedure. Parliament grants statutory authority both to consume resources and draw cash from the Consolidated Fund to pay for resources consumed by an annual Appropriation Act and the Consolidated Fund Act. The Treasury presents the Main Estimates (the start of the Supply Procedure) to Parliament around the start of the financial year to which they relate. A set of supplementary budgetary information tables reconciles the Estimates to these Departmental Report tables.
- Details of all Estimates can be found on the Treasury’s website.

**Significant variances against estimate**

The net underspend shown in table 2 arose from two factors: firstly, a slower rate of recruitment than initially projected, resulting in lower staff costs than budgeted; and, secondly, the judicial review of us and awarding organisations related to the 2012 GCSE English results. This necessitated all budgeted but not-committed expenditure to be put on hold to provide resources to fund the unbudgeted legal costs, the amount of which were uncertain. Although the Court dismissed the application and our eventual costs were less than those initially projected, the potential legal costs of a judicial review for an organisation of our size will always be significant and affect the delivery of other activities. When the outcome of the judicial review was known, its closeness to the year-end limited opportunities to reinstate and incur initially planned expenditure before the year-end, resulting in the net underspend reported in table 2.

**Table 3: Capital employed**

This table shows the capital we employ and plan to employ

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Planned £000	2014-15 Planned £000
<b>Assets and liabilities on the statement of financial position at end of year</b>							
Non-current assets:							
Property, plant and equipment	81	996	3,135	243	178	160	120
<i>of which</i> IT	0	0	364	243	178	160	120
Intangible assets	7	115	3,499	3,034	2,250	1,550	800
Current assets	39	99	996	845	532	680	700
Current liabilities (less than one year)	(1,386)	(2,570)	(2,474)	(2,413)	(1,429)	(2,200)	(2,150)
<b>Total capital employed</b>	<b>(1,266)</b>	<b>(1,475)</b>	<b>2,021</b>	<b>1,709</b>	<b>1,531</b>	<b>190</b>	<b>(530)</b>

Note:

- The movement in capital employed reflects our reducing capital allocation.

**Table 4: Programme and administration expenditure**

	2008-09 Outturn £000	2009-10 Outturn £000	2010-11 Outturn £000	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Planned £000	2014-15 Planned £000
<b>Programme:</b>							
<b>Expenditure</b>							
Pay	0	0	51	51	52	52	0
Other expenditure	0	0	1,374	2,368	2,974	3,018	0
<b>Total expenditure</b>	<b>0</b>	<b>0</b>	<b>1,425</b>	<b>2,419</b>	<b>3,026</b>	<b>3,070</b>	<b>872</b>
Income	0	0	0	0	0	0	0
<b>Total programme expenditure and budgeted</b>	<b>0</b>	<b>0</b>	<b>1,425</b>	<b>2,419</b>	<b>3,026</b>	<b>3,070</b>	<b>872</b>
<b>Administration:</b>							
<b>Expenditure</b>							
Pay	0	0	10,175	9,617	10,915	11,024	11,135
Other expenditure	0	0	4,799	4,626	3,331	3,750	5,112
<b>Total expenditure</b>	<b>0</b>	<b>0</b>	<b>14,974</b>	<b>14,243</b>	<b>14,246</b>	<b>14,774</b>	<b>16,247</b>
Income	0	0	(1,131)	(530)	(523)	(540)	(530)
<b>Total administrative expenditure and budgeted</b>	<b>0</b>	<b>0</b>	<b>13,843</b>	<b>13,713</b>	<b>13,723</b>	<b>14,234</b>	<b>15,717</b>
<b>Grand total</b>	<b>0</b>	<b>0</b>	<b>15,268</b>	<b>16,132</b>	<b>16,749</b>	<b>17,304</b>	<b>16,589</b>

Notes:

- In 2010-11 the Treasury classified all expenditure to be programme expenditure. In 2011-12 and subsequent years, we have been subject to the Administrative Cost Regime, which requires expenditure to be split between programme and administration expenditure in accordance with the Financial Reporting Manual (FReM 11.3.3). Table 4 shows the programme and

administration outturns for 2012-13 and the budgets for the two years to 2014-15.

- Table 1 includes, and table 4 excludes, capital expenditure.
- As noted under table 1, we were created on 1 April 2010 as a Machinery of Government Change, and the figures for 2008-09 and 2009-10 shown in table 1 are notional. We did not incur expenditure in these years and the QCA was unable to allocate its expenditure into the categories reported in table 4.

**Table 5: Staff and temporary staff**

	2011-12 Number	2012-13 Number
Senior Civil Service		
Payband 3	0	0
Payband 2	1	1
Payband 1	3	6
	4	7
Civil Servants	160	150
<b>Total Civil Servants</b>	<b>164</b>	<b>157</b>
Temporary Staff	4	26
Consultants	5	0
<b>Total</b>	<b>173</b>	<b>183</b>

**Notes:**

- The figures in table 5 show the number of people directly contributing to our activities at 31 March 2013. They include employees, interim staff covering permanent posts, and contractors. Note 7.2 of the Accounts shows the average number of staff employed during the year.
- Our salary bands were inherited from the QCA, our predecessor organisation, and do not align with civil service salary bands. To enable a comparison with senior civil service bands, the chief regulator and directors are assigned to a civil service equivalent band. We are undertaking a review of salary bands, to align ourselves more closely with civil service arrangements. This is planned to be completed in 2013-14.
- In the year to 31 March 2013 we spent £2,532k (2011-12: £581k) on temporary staff and nothing on consultants (2011-12: £234k).
- The £11k capital spend in 2012-13 accounts for the difference between the total figures reported in tables 4 and 6.

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

	2008-09	2009-10	2010-11	2011-12	2012-13
England	12,887	19,071	17,598	16,220	16,252
Scotland	0	0	0	0	0
Wales	0	0	15	22	23
Northern Ireland	526	596	531	492	485
<b>Total UK identifiable expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>	<b>16,760</b>
Outside UK	0	0	0	0	0
<b>Total identifiable expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>	<b>16,760</b>
Non-identifiable expenditure	0	0	0	0	0
<b>Total expenditure</b>	<b>13,413</b>	<b>19,667</b>	<b>18,144</b>	<b>16,734</b>	<b>16,760</b>

Notes:

- Our expenditure in Northern Ireland relates to our office in Belfast. All other expenditure, including other regulatory expenditure for Northern Ireland, is incurred in England.
- Our expenditure in Wales relates to the cost to us of providing the Welsh qualifications regulator with access to our regulatory system.

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

This table is omitted as our expenditure is less than £1 per head.

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

	Function / Programme 1 2011-12 £000	Function / Programme 1 2012-13 £000
England	16,220	16,252
Scotland	0	0
Wales	22	23
Northern Ireland	492	485
<b>Total UK identifiable expenditure</b>	<b>16,734</b>	<b>16,760</b>
Outside UK	0	0
<b>Total identifiable expenditure</b>	<b>16,734</b>	<b>16,760</b>
Non-identifiable expenditure	0	0

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

### **Complaints**

We aim to acknowledge complaints within two working days and provide a final response within 30 working days.

During 2012-13, we acknowledged all complaints within two working days and provided a final response within 30 days in 84 per cent of cases. The complaints that took longer than 30 days to respond to required more extensive investigation. Where this is the case, we aim to keep the complainant informed of progress.

We received 509 complaints about recognised awarding organisations in the year. Eight per cent of these were upheld and 12 per cent were partially upheld. We referred one complaint concerning the appeals process followed by two awarding organisations to an independent third party. The complaint was partially upheld.

In addition, we received 131 complaints about exam centre malpractice, seven complaints about awarding organisation malpractice and a further six complaints about candidate malpractice. Thirty-seven per cent of these complaints were upheld and 13 per cent were partially upheld.

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

No complaints were made to or accepted by the Parliamentary Ombudsman in 2012-13.

A complaint made to the Parliamentary Ombudsman in 2011-12, related to a matter arising before we were established, was considered during the year and the Ombudsman's report remained to be published at 31 March 2013. The matter related to an exam centre, the respective awarding organisation's investigation and our response to its investigation. We have acknowledged three areas of maladministration associated with the complaint and have made a number of changes to improve our processes to avoid any repetition of the event.

### **Recruitment**

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

At 31 March 2013 we employed 147.5 whole-time equivalent staff compared with our design complement of 203. Although significant effort has been given to recruitment during the year, staff turnover, the need to follow civil service requirements and difficulties in recruiting a number of specialist roles all adversely affected the rate at

which we could increase our capacity. Temporary staff were recruited to cover roles of staff members on maternity leave and fill in while roles were being recruited. At 31 March 2013 there were 26 temporary staff.

### **Review of tax arrangements of public-sector appointees**

On 31 January 2012, the Chief Secretary to the Treasury announced a review of the tax arrangements of public-sector appointees who were contracted for services. This review requested departments to obtain assurances regarding any such contracts of more than six months' duration, where the annual cost is greater than £58,200, that tax due on the income received would be paid. At 31 January 2012 the number of individuals meeting these conditions was 15 and of these one is now employed, three had their contracts renegotiated in line with the review recommendations and ten contracts have ended, and at 31 March 2013 one is in the final stage of contract renegotiation.

Between 23 August 2012 (a date set by the Chief Secretary to the Treasury from when to report new contracts) and 31 March 2013, we contracted with five individuals and are seeking assurance that due tax is being paid in all cases.

### **Sickness absence**

Some 992 days were lost to sickness by our employees in 2012-13, an average of 6.6 days per employee. This includes a number of members of staff with long-term sickness absence and compares with an average of 6.8 days per employee for the civil service as a whole.

### **Health and safety**

New contracting-out arrangements for facilities management services, which took effect on 1 April 2012, include the day-to-day management of health and safety. The Health and Safety Committee has met on a quarterly basis. There was one reportable accident during the year.

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

At 31 March 2013, 6.1 per cent of staff members classified themselves as disabled, 12.2 per cent classified themselves to be from non-white ethnic groups, and 64.4 per cent were female.

### **Sustainability**

Although being a small organisation means we do not have to report sustainability measures, we do have regard to sustainability in carrying out our work. We increased recycling of office waste and reduced waste going to landfill. The water and electricity-saving measures installed last year when redecorating our Coventry office

resulted in a 13 per cent reduction in water usage and a 37 per cent reduction in electricity usage in 2012-13. An equivalent reduction in gas usage was also projected until the prolonged cold weather resulted in an increase. While to seek improvements, future years will probably not see changes of such magnitude.

## **Payment of suppliers**

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

Payment of trade and other payables is reported on a creditor-days basis. This is calculated as a proportion of the amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year. We paid all suppliers within an average of 22 creditor days in 2012-13. This includes small and medium enterprises as well as larger enterprises. £50 was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2011-12: £25).

## **Basis of accounts**

Our accounts for the year ended 31 March 2013 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

We were the sole entity within our Departmental Accounting Boundary during 2012-13 and are not responsible for any bodies outside our Departmental Accounting Boundary.

## **Pension liabilities**

Information on staff pension entitlements is provided in the *Remuneration Report*. Information on pension liabilities is provided in Financial Statements Note 7.3 in this report.

## **Going concern**

In common with other government departments, the future financing of our liabilities will be met by future Grants of Supply and the application of future income to be approved annually by Parliament. Our planned and agreed expenditure with the Treasury for the two years 2013-15 is shown in table 1 of the departmental data



reporting tables, and there is no reason to believe that future approvals will not be forthcoming.

Accordingly, it is considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

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

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

### **Auditor**

The ASCL Act appointed the Comptroller and Auditor General to be our auditor. He has charged a notional £49,000 for his audit in 2012-13.

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

Glenys Stacey

Accounting Officer for Ofqual

Date: 24 June 2013

## Remuneration report

### Part 1: Not subject to audit

#### Ministers

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

#### Ofqual

The remuneration, allowances and expenses of board members are determined by the Secretary of State for Education. The Queen-in-Council on the advice of the Secretary of State for Education appoints the Chief Regulator. The Chief Regulator appoints the executive and other members of staff, and determines their conditions of service with the approval of the Secretary of State.

#### The Chief Regulator and Board members

The Chair, Chief Regulator and other Board members are appointed by the Secretary of State for renewable terms of not more than five years. Board members may be removed from office if they become unable or unfit to carry out their duties, or if they are absent from meetings for a continuous period of more than six months without agreement.

The Education Act 2011 transferred the responsibilities and title of Chief Regulator from the Chair to the Chief Executive. Glenys Stacey was confirmed as the Chief Regulator in April 2012. As Chief Executive, Glenys Stacey was our employee. On becoming Chief Regulator in April 2012, she became an office holder on a fixed-term renewable appointment of five years.

#### Executive Directors and other members of staff

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

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

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

Further information about the work of the Civil Service Commission is available at:  
[www.civilservicecommission.org.uk/](http://www.civilservicecommission.org.uk/)

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

We maintain a Register of Interests that is open to the public and accessible by a written request for information addressed to our Board secretary.

### **Remuneration Policy**

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

Directors are paid salaries in accordance with Ofqual's pay policy and pay band structure, which was established when Ofqual was part of QCA. A new Pay and Grading structure is being developed to be implemented in 2013-14.

### **Part 2: Subject to Audit**

The table below shows gross salary and other allowances subject to UK taxation. Full year salary equivalents for those who served part of the year are shown in brackets.

The information for the increases in pension, total accrued pension and cash equivalent transfer value (CETV) are provided by Ofqual's Principal Civil Service Pension Scheme (PCSPS) pension service centre in accordance with calculations and in the format determined by the PCSPS and the Cabinet Office.

The actuarial factors used to calculate the CETVs were changed in 2012-13 and the CETVs at 31 March 2012 and 31 March 2013 have both been calculated using the new factors for consistency. The CETV at 31 March 2012 therefore differs from that shown in last year's report, which was calculated using the previous factors.

To show remuneration in the table on a comparable basis to other senior management staff, the costs of employer's national insurance and equivalent pension contributions for David Robson for the period April – July, during which he was employed on an interim basis, have been excluded from the total cost of £46,200

(2011-12 £48,950). From July – March he was employed on an annual salary in the range £95k-£100k.

Potential staff bonuses for 2012-13 provided by civil service arrangements have yet to be determined.

## Remuneration (including salary) and pension entitlements

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

	Salary 2012-13	Salary 2011-12	Real increase in pension and related lump sum at pension age	Total accrued pension at pension age as at 31 March 2013 and related lump sum	CETV at 31 March 2012	CETV at 31 March 2013	Real Increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Amanda Spielman Chair	35-40	35-40	-	-	-	-	-
Sandra Burslem*	5-10	15-20	-	-	-	-	-
Tim Balcon	5-10	5-10	-	-	-	-	-
Ray Coughlin	5-10	5-10	-	-	-	-	-
Philip Fletcher	5-10	5-10	-	-	-	-	-
Maggie Galliers**	0-5	-	-	-	-	-	-
Denise Holt	5-10	5-10	-	-	-	-	-
Neil Watts	5-10	5-10	-	-	-	-	-
Anne Heal	5-10	-	-	-	-	-	-
Barnaby Lenon	5-10	-	-	-	-	-	-
Julius Weinberg	5-10	-	-	-	-	-	-
Roger Taylor	5-10	-	-	-	-	-	-
Thomas Taylor	5-10	-	-	-	-	-	-
Glenys Stacey Chief Regulator	120-125	115-120	0-2.5	10-15	184	215	14
Dennis Opposs Director of Standards and Research	100-105	100-105	0-2.5	45-50 145-150 Lump sum	1064	1129	5
Fiona Pethick Director of Regulation	100-105	100-105	2.5-5	35-40 110-115 Lump sum	674	725	3
David Robson Director of Corporate and Business Services <i>Acting Director until 15 July 2012. Substantive from 16 July 2012</i>	100-105 (95-100)	95-100	0-2.5	25-30	511	562	22
Jeremy Benson Deputy Director of Policy	85-90	80-85	0-2.5	20-25	232	255	5
Adrian Long Director of Policy and Engagement <i>From 23 July 2012</i>	67-70 (95-100)	-	0-2.5	0-5	-	19	15
Tim Leslie Director of Risks and Markets <i>From 16 April 2012</i>	86-90 (90-100)	-	0-2.5	0-5	-	29	24

\*During 2011-12 Sandra Burslem undertook the role of Deputy Chair

\*\*Maggie Galliers waived her remuneration while her employer enabled her to be a Board member. She has received the remuneration associated with the role following retirement from her previous post.

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

Following the Hutton Review of Fair Pay in the Public Sector<sup>7</sup> Ofqual is required to disclose the relationship between the remuneration of its highest paid director and the median remuneration of members of staff.

Total remuneration of the highest paid director in 2012-13 was in the band

£120K-£125K as shown in the remuneration and pension entitlements table,

(2011-12: £145k-£150k including relocation expenses). This was 3.4 times the £35.4k median remuneration of members of staff: (2011-12: 4.1 times - 3.5 if payments for relocation expenses are excluded - and £34.5k).

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

## **Pension benefits**

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

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<sup>7</sup> [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/indreview\\_willhutton\\_fairpay.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm)

Employee contributions changed with effect from 1 April 2012 from the rate of 1.5 per cent of pensionable earnings for the classic scheme and 3.5 per cent for the premium, classic plus and nuvos schemes. Employees' pension contributions now vary depending upon the employee's pay band with an upper limit of 3.9 per cent for the classic scheme and 5.9 per cent for the others. Further increases to employee contributions apply from 1 April 2013.

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

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

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

In nuvos, a member builds up a pension based on the pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the index for the year.

In each scheme, members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

### **Cash equivalent transfer value**

The cash equivalent transfer value (CETV) shown in the remuneration table is the actuarially assessed capitalised value of pension scheme benefits accrued by a member at 31 March 2013. The pension figures shown relate to the accrued benefits resulting from members' total years' membership of a pension scheme, not just service in their current role to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the member has transferred to a civil service pension scheme. The figures also include pension benefits accrued to members as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from the Lifetime Allowance Tax, which may be due when pension benefits are taken.

### **Real increase in CETV**

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

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

No compensation for loss of office was paid in 2012-13 (2011-12 £nil).

Glenys Stacey

Accounting Officer for Ofqual

Date: 24 June 2013

## **Statement of Accounting Officer's Responsibilities**

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

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

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



## **Governance Statement**

### **Scope of Responsibility**

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and our assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. This governance statement describes how I have carried out these duties and the structure that supported me in the 2012-13 financial year.

### **The Ofqual Board**

During 2012-13 the Board consisted of a Chair, twelve ordinary members (one of whom is appointed as Deputy Chair) and myself, the Chief Regulator. (From 1 April 2012, the role of Chief Regulator moved from the Chair to the Chief Executive in accordance with the Education Act 2011).

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

The Board members, and the committees they served on, during the year were:

Name	Date of Appointment	Term of Appointment	Board Meetings and Committees Attendance Record	Membership of Board Committees			
				Audit and Risk Committee (A&R)	Finance Committee (Fin)	Northern Ireland Committee (NI)	Standards Advisory Group (SAG)
Amanda Spielman (Chair)	14 July 2011	3 years, to 13 July 2014	Board 100% SAG 100%				✓ *
Sandra Burslem (Deputy Chair)	1 April 2010	3 years, to 31 March 2013	Board 82% NI 100% A&R 86%	✓		✓	
Tim Balcon	Reappointed 1 April 2012	2 years, to 31 March 2014	Board 64% Fin 75%		✓		
Ray Coughlin	1 April 2010	4 years, to 31 March 2014	Board 64% NI 100%			✓ *	
Philip Fletcher	1 April 2010	3 years, to 31 March 2013 ***	Board 73% A&R 100%	✓ *			
Maggie Galliers	1 April 2010	3 years, to 31 March 2013 ***	Board 91% NI 67%			✓	
Anne Heal	1 April 2012	3 years, to 31 March 2015	Board 100% A&R 83%	✓			
Denise Holt	1 April 2010	4 years, to 31 March 2014	Board 73%				
Barnaby Lenon	1 April 2012	3 years, to 31 March 2015	Board 73% SAG 100%				✓
Glenys Stacey (Chief Regulator and Accounting Officer)	1 March 2011	5 years, to 29 February 2016	Board 100% SAG 75%				✓ **
Roger Taylor	1 April 2012	3 years, to 31 March 2015	Board 73%				
Thomas Taylor	1 April 2012	3 years, to 31 March 2015	Board 64% Fin 100%		✓ *		
Neil Watts	1 April 2010	4 years, to 31 March 2014	Board 73% Fin 75%		✓		
Julius Weinberg	1 April 2012	3 years, to 31 March 2015	Board 73% SAG 50%				✓

Notes:

SAG Standards Advisory Group  
NI Northern Ireland Committee  
A&R Audit and Risk Committee  
Fin Finance Committee

- \* denotes Chair of Committee
- \*\* I was initially appointed as Chief Executive, an employee of the Board on a permanent, open ended contract of employment. On assuming the post of Chief Regulator on 1 April 2012, I ceased to be an employee and became a Crown appointment for a term of five years beginning on 1 March 2011, the date on which I was appointed Chief Executive of Ofqual, and ending on 29 February 2016.
- \*\*\* Maggie Galliers and Philip Fletcher have been reappointed for a further three years to 31 March 2016.

Ofqual's executive directors are invited to attend meetings of the Board and, when appropriate, its Committees.

Board members and committee members are required to declare any potential conflicts of interest on appointment and at the beginning of each meeting they attend. They must confirm on an annual basis that the register of their interests is up to date. The Register of Interests is open to the public, and requests for information should be made in writing addressed to our Board Secretary. Where actual or potential conflicts of interests are identified, Board Members take no part in any discussion and are not involved in any decisions that relate to those interests.

At the Board meeting held on 26 September 2012, Amanda Spielman declared an interest in an agenda item headed 'GCSE English in Summer 2012' insofar as it related to her then position as Director of Research and Development at ARK Schools. To mitigate this conflict Amanda withdrew from relevant educational work at ARK Schools while our investigation into the grading of GCSE English qualifications in summer 2012 was underway, and she remained in the Board meeting during the consideration of this item. At the same meeting, Maggie Galliers declared an interest in the same agenda item insofar as it related to her position as President of the Association of Colleges (AOC). Maggie had taken steps to ensure that her AOC position did not interfere with her membership of our Board and she remained in the meeting during the consideration of this item.

The Board had the following formal committees during the year ended 31 March 2013. These committees form a key component of our governance structure:

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

The Audit and Risk Committee provides advice and assurance to me, as Accounting Officer, and to the Board on the adequacy and effectiveness of internal controls, risk management processes and our governance arrangements. It also oversees internal and external audit arrangements covering both financial and non-financial systems.

The Committee normally meets four times a year, although the Chair of the Committee may call additional meetings as necessary.

The Committee consists of three members of the Board and an independent financially qualified member, Trevor Robinson, who was appointed as a member in March 2011 for a term of three years.

The Board Chair and myself, as Accounting Officer, are invited to attend meetings of the Committee. The Head of Financial Accounts, the Corporate Governance Manager and the Director of Corporate and Business Services also attend, as do representatives of the internal and external auditors. Other members of Ofqual staff attend where appropriate.

The Committee Chair provides a summary of its work to the Board at each Board meeting. The Committee undertakes an annual effectiveness review looking at how the Committee has functioned and provides a report to the Board. Together with this report, the Committee also prepares an annual formal assessment of our risk management and control processes.

### **The Finance Committee**

The Finance Committee considers and advises the Board on financial issues. It is authorised to seek any information it requires from any committee of the Board, or directly from any Board Member or member of staff.

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

I attend committee meetings as Accounting Officer, together with the Director of Corporate and Business Services.

### **The Northern Ireland Committee**

The Northern Ireland Committee provided a forum for the discussion of issues relating to vocational qualifications in Northern Ireland. It enabled us to be informed of Northern Ireland perspectives and to hear the views of stakeholders on emerging policies affecting Northern Ireland.

The Committee Chair provided a summary of the work of the Committee to the Ofqual Board following each meeting.

The Committee consisted of three members of the Ofqual Board (one of whom is the member appointed to the Board to represent the interests of Northern Ireland) and representatives from stakeholder groups (known as independent members).

During 2012-13, the independent members of the Committee were Trevor Carson, Justin Edwards, Therese Rogan, (appointed for 3 years from 1 November 2010), Catherine O'Mullan, Elsbeth Rae, Donna Sheerin (appointed for 2 years from 1 November 2010 and reappointed for three years from 1 December 2012), Elizabeth Hall and Trevor Johnston (appointed for 3 years from 5 December 2011).

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

The Northern Ireland Committee was dissolved by the Board on 22 March 2013. After a review of the operation of the Committee it became clear to members that while the group was a useful discussion group, it had no decision-making or other formal responsibilities. It was therefore proposed to dissolve the Committee and replace it with an advisory group managed by the Regulation Directorate. Existing Committee members (both Board members and external members) were invited to continue and the group, in the future, may be extended to include Northern Ireland Departmental representatives. The new advisory group will advise Ofqual on issues affecting vocational qualifications in Northern Ireland.

### **The Standards Advisory Group**

The Standards Advisory Group supports the Board in its consideration of qualification and assessments standards. This includes, but is not limited to, matters concerning comparability between regulated qualifications, international comparisons, validity, reliability, predictability and setting standards.

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

One of the Board members is nominated by the Board to chair the Standards Advisory Group. During 2012-13, the independent members of the Group were Professor Jo-Anne Baird, Professor Paul Black, Professor Robert Coe, Mike Cresswell, Professor Jannette Elwood, Dr Tina Isaacs, Jerry Jarvis, Sue Kirkham, Dr Paul Newton, Tim Oates, Sarah Maughan, Dr Michelle Meadows, Professor Roger Murphy, Dr Alastair Pollitt, Professor Gordon Stobert, Professor Peter Tymms and Professor Alison Wolf. They were appointed from March 2012 for one year at the end of which four members, Professor Jannette Elwood, Sue Kirkham, Sarah Maughan and Professor Peter Tymms stood down. All other members have been re-appointed to May 2014.

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

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

Further details about the Ofqual Board and its committees can be found in the Ofqual Governance Framework available on Ofqual's website<sup>8</sup>

### **Committee Reporting to the Board**

Each Committee reports on their work at the Board meeting following the Committee meeting. Highlights of Board committee reports during 2012-13 were:

#### **Finance Committee**

- recommending our 2011-12 Annual Report and Accounts to the Board for approval;
- considering adjustments to the financial scheme of delegation and recommending these to the Board for approval;
- reviewing our business priorities at the half year and the revised expenditure profile associated with this; and
- considering the impact the GCSE English Judicial Review had on planned activity and its financial consequences.

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

- recommending our 2011-12 Annual Report and Accounts to the Board for approval;
- reviewing internal audit reports;
- overseeing information and records management;
- advising on delegated authority from the Department for Education and HM Treasury;
- overseeing risk management;

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<sup>8</sup> [www.ofqual.gov.uk](http://www.ofqual.gov.uk)

- agreeing our 2012-13 Internal Audit plan and monitoring progress against it;
- reviewing its own effectiveness; and
- agreeing the approach and timetable for work to draw up our 2012-13 Annual Report and Accounts.

### **Standards Advisory Group**

- considering the implications of the *Education Select Committee report The Administration of Examinations for 15-19 Year-olds in England*;
- providing views and advice on the assessment of the revised National Curriculum;
- providing advice on the development of, and approach to, our 2012 consultation on A level reform;
- reviewing issues arising from the summer 2012 GCSE English awards and the findings of our work in this area;
- reviewing and advising on our methodology for future international comparisons work;
- reviewing the use of the comparable outcomes methodology and how grade standards might be recalibrated;
- providing advice on reformed GCSEs including the approach to their regulation and options for setting standards; and
- reviewing our draft research strategy for 2013-16.

### **Northern Ireland Committee**

- commenting on our 2012-13 report to the Northern Ireland Assembly;
- discussing arrangements for the review of the regulation of qualifications in Northern Ireland with the Department for Employment and Learning and the Department of Education of the Northern Ireland Executive (this has since been placed on hold in Northern Ireland); and
- receiving comments from the independent members on relevant matters of concern to the committee.

## **Management Control Activities**

I established two new committees during 2012-13 to replace the previous Executive Board as part of the new organisational structure implemented during the year. These two new committees are the Chief Regulator's Committee, which addresses regulatory matters, and the Chief Executive's Committee, which addresses Ofqual's management.

Dividing the Executive team's work into these two distinct and separate remits has enabled a clearer focus to be given to both. There are times when business crosses over the boundaries of both committees and in these situations I decide where it would be most appropriate for business to be discussed.

## **The Chief Regulator's Committee**

The Chief Regulator's Committee (CRC) considers regulatory strategy and activity and addresses:

- regulatory matters to be referred to the Ofqual Board;
- standards and research;
- regulation;
- regulatory risk management and markets;
- policy and engagement;
- publications;
- regulatory future proofing; and
- significant regulatory matters referred to the Committee from the Ofqual Board.

It meets weekly. I attend, together with all directors, the deputy director for policy, and others by invitation. The agenda contains:

- rotating and recurring topics;
- topics requested by me or directors; and
- topics referred from directorate management teams and committees of the Board.



## **The Chief Executive's Committee**

The Chief Executive's Committee (CEC) addresses our internal management including:

- monitoring progress against our corporate and business plans;
- business planning;
- corporate risk management;
- finance, HR, IT, Health and Safety;
- equality;
- programme and project management;
- preparation for Board meetings and Board meeting follow up; and
- significant corporate matters referred to the Committee.

It meets fortnightly. I attend together with all directors and others by invitation. The agenda contains:

- rotating and recurring topics;
- risk management;
- matters requested by me or directors;
- matters referred from the Finance and Audit and Risk Committees and the Project and Programme Management and Information Systems / Information Technology steering groups.

### **Directors during 2012-13 attending the Chief Regulator's Committee (CRC) and the Chief Executive's Committee (CEC)**

Name	Date of Appointment	Member of CRC	Member of CEC
Glenys Stacey, Chief Regulator	1 March 2011	✓	✓
Fiona Pethick, Director of Regulation	1 April 2010	✓	✓
Dennis Opposs, Director of Standards and Research	1 April 2010	✓	✓
Tim Leslie, Director of Risk and Markets	16 April 2012	✓	✓
Adrian Long, Director of Policy and Engagement	23 July 2012	✓	✓
David Robson, Director of Corporate and Business Services	1 December 2011*	✓	✓
Jeremy Benson, Deputy Director of Policy	23 July 2012	✓	

Note: David Robson was employed on an interim basis as Acting Director of Corporate and Business Services from 1 December 2011 to 15 July 2012. He was employed as a member of staff on 16 July 2012.

## **Board Performance and its Assessment of its Own Effectiveness**

The role, remit and composition of the Ofqual Board are defined in Schedule 9 of the Apprenticeships, Skills, Children and Learning Act 2009.

The Board considered its performance against the standards set out in the Corporate Governance Code<sup>9</sup> in March 2013 focussing on five key areas: core business, trust and support, contribution and execution, engagement with stakeholders, and Board leadership. Identified strengths were:

- the Board is clear as to its purpose and Ofqual's statutory objectives;
- the work of the Board reflects current national issues and policies; and
- the quantity and quality of information received helped Board Members to perform their role effectively.

Engagement with stakeholders was identified as an area for development, particularly awareness of stakeholders' views about Ofqual and understanding stakeholders' expectations. A revised communications and engagement strategy has now been agreed and will be implemented during 2013-14.

Where appropriate, our corporate governance framework also follows the Corporate Governance Code. The main difference is that with the exception of The Chief Regulator, all other Board Members are Non-Executives. The balance between non-executive directors and executive directors is addressed by inviting executive directors to attend Board meetings.

## **Risk Management**

A function of Ofqual's governance structure is to ensure the effective management of risk. In addition to the corporate risk register, Directorates maintain risk registers as do major programmes and projects. The Chief Executive's Committee regularly considered the corporate risk register and actions to mitigate risk during the year and the Audit and Risk Committee supports the Ofqual Board in reviewing the

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<sup>9</sup> *Corporate Governance in Central Government Departments: Code of Good Practice 2011*, HM Treasury / Cabinet Office, July 2011

comprehensiveness, reliability and integrity of Ofqual's internal controls and risk management processes.

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

- comprehensive and embedded throughout the organisation;
- to ensure mitigating actions are proportionate to the risk faced;
- to manage risks actively and review the risk management process regularly, so that it is responsive to changes in the environment;
- to align risk management with strategic objectives and ensure that it is integral to our management and business planning.

Effective risk management allows us to:

- have increased confidence that we will achieve our strategic objectives;
- focus our actions and efforts where they will have most effect;
- provide a framework for decisions about what risks to manage and what risks to tolerate;
- constrain threats to acceptable levels;
- improve our partnership working arrangements and corporate governance; and
- ensure that we maximise our opportunities and minimise the threats we face to acceptable levels, thereby improving our ability to deliver priorities and improve outcomes.

### **Information Risk**

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

We follow the guidelines set out in the HMG Security Policy Framework to ensure that information is managed and safeguarded correctly throughout its life cycle.

Members of staff are made aware of these requirements, which are reinforced through mandatory information security training.

I have appointed the Director of Corporate and Business Services to be our Senior Information Risk Officer (SIRO) responsible for ensuring that information risks are assessed and controlled to an acceptable level. The SIRO is supported by the Departmental Security Officer (the Corporate Governance Manager).

The SIRO has confirmed to me that an annual Security Risk Management Overview has been completed satisfactorily, and independently reviewed by internal audit. The SIRO has similarly confirmed to me that, to his knowledge, there have not been any instances where assets have been used inappropriately.

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

### **Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2012-13**

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

### **Summary of other protected personal data related incidents in 2012-13**

There have been no incidents to report during the year.

### **Internal Audit**

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

Internal Audit work to Government Internal Audit Standards. Reviews give views on the adequacy and effectiveness of our system of internal control and make recommendations for improvement. Where weaknesses in controls are identified, we take action to strengthen the controls.

### **Effectiveness of the Internal Control Framework**

As Accounting Officer I review the effectiveness of our system of internal control on an annual basis. My review is informed by the work of the internal auditors; feedback

from senior managers who have responsibility for the development and maintenance of the internal control framework; and comments made by the external auditors in their Audit Completion Report and other reports. Comments and recommendations made by the Education Select Committee are also taken into account.

The Audit and Risk Committee provides advice on the implications of the internal audit reviews and monitors progress against the plan to tackle any identified weaknesses so that the system of internal control is continuously improved.

The Internal Audit reviews conducted during 2012–13 highlighted a number of areas where improvements could be made and I have taken steps to address their recommendations. Progress in implementing these recommendations is reported to the Chief Executive’s Committee on a monthly basis and the Audit and Risk Committee reviews progress when it meets.

The Head of Internal Audit provides me with an annual, independent opinion on the adequacy and effectiveness of our governance, risk and control arrangements. The programme of work completed by Internal Audit has enabled the Head of Internal Audit to state in his report for 2012-13 that:

*“Our internal audit work identified low, moderate and high rated findings which resulted in one high, two medium and four low risk rated reports. Based upon the work we have completed and our findings, we believe that there is some risk that management’s objectives may not have been fully achieved. Improvements are therefore required in some areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.”*

Finding rating	Trend between current and prior year	Number of findings		
		2012-13	2011-12	2010-11
Critical	↔	0	0	0
High	↓	1	6	16
Medium	↓	9	16	17
Low	↑	17	11	14
<b>Total</b>	<b>↓</b>	<b>27</b>	<b>33</b>	<b>47</b>

*“The table above shows an annual reduction in the overall number of internal audit findings since 2010-11. The number of high and medium risk findings has also reduced across the three years.”*

*“The level of internal audit resource dedicated to individual reviews in 2012-13 was similar to the 2011-12 year and therefore the direction of travel suggests that Ofqual has strengthened its systems of internal control, governance and risk management.*

*Management should aim to continue in this direction whilst the significant structural changes resulting from the Future Ofqual programme continue to impact on Ofqual's operations."*

### **Assurance to the Accounting Officer**

As well as the opinion provided to me by the Head of Internal Audit, I have required each director and appropriate head of service to review the controls that they have had in place to manage our governance, risk and control arrangements and report by way of written assurance to me at the end of the financial year that these controls were effective. This supplements the regular reporting to the Chief Executive's Committee on the stewardship of risk.

Because of organisational change that has taken place and changes in responsibility for areas of our work during the course of the year, I also received half-year letters of assurance from directors and relevant heads of service for the period 1 April 2012 to 30 September 2012. These letters of assurance support the preparation of this Governance Statement. I identified no additional risks from these Letters of Assurance.

I have considered all the evidence that supports this Governance Statement and I am assured, as Accounting Officer, that Ofqual has strong governance, risk and internal control arrangements that support the delivery of our aims and objectives.

Glenys Stacey

Accounting Officer for Ofqual

Date: 24 June 2013

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

I certify that I have audited the financial statements of the Office of Qualifications and Examinations Regulation (Ofqual) for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget

(Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in Management Commentary, Departmental Data Reporting Tables, Other Information of Public Interest, Future Priorities and the unaudited section of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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



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

## **Report**

- I have no observations to make on these financial statements.

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

# Statement of Parliamentary Supply for the year ended

**31 March 2013**

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

## 1. Summary of resource and capital outturn for 2012-13

This table shows the amounts approved in 2012-13 in accordance with Parliamentary Expenditure Limits.

	Note	Estimate 2012-13			Outturn 2012-13			2012-13	2011-12
		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted outturn compared with estimate: saving £000	Outturn £000
Spending in Departmental Expenditure Limit									
- Resource	3	18,058	0	18,058	16,749	0	16,749	1,309	16,132
- Capital		100	0	100	11	0	11	89	602
<b>Total</b>		<b>18,158</b>	<b>0</b>	<b>18,158</b>	<b>16,760</b>	<b>0</b>	<b>16,760</b>	<b>1,398</b>	16,734

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

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

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

## 2) Net cash requirement

	Note	2012-13			2011-12
		Estimate £000	Outturn £000	Outturn compared with saving £000	Outturn
					£000
Net cash requirement	4	<b>17,330</b>	<b>16,522</b>	<b>808</b>	<b>15,770</b>

**3) Administration costs 2012-13**

		2012-13		2011-12
		<i>Estimate</i>	<i>Outturn</i>	Outturn
		£000	£000	
3		<b>14,946</b>	<b>13,723</b>	13,713

**4) Variances**

An explanation of the variance between the estimate and the outturn is given under Table 2: Public Spending Control in the Departmental Data Reporting Tables and in the Management Commentary.

The notes on pages 51 to 71 form part of these accounts

## Statement of comprehensive net expenditure for the year ended

**31 March 2013**

		2012-13				2011-12
		Staff Costs £000	Other Costs £000	Income £000	Total £000	Total £000
Programme Costs	8					
Staff Costs		52	0	0	52	51
Direct Costs		0	2,974	0	2,974	2,368
		<b>52</b>	<b>2,974</b>	<b>0</b>	<b>3,026</b>	2,419
Administration Costs:						
Staff Costs	7	10,915	0	0	10,915	9,617
Other Costs		0	3,331	0	3,331	4,626
Income	9	0	0	(523)	(523)	(530)
		<b>10,915</b>	<b>3,331</b>	<b>(523)</b>	<b>13,723</b>	13,713
<b>Net operating cost for the year ended 31 March 2013</b>		<b>10,967</b>	<b>6,305</b>	<b>(523)</b>	<b>16,749</b>	16,132
<b>Other Comprehensive Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	0
<b>Total comprehensive expenditure for the year ended 31 March 2013</b>		<b>10,967</b>	<b>6,305</b>	<b>(523)</b>	<b>16,749</b>	16,132

The notes on pages 51 to 71 form part of these accounts

## Statement of financial position as at 31 March 2013

		31 March 2013		31 March 2012	
		£000	£000	£000	£000
<b>Non-Current Assets</b>					
Property, plant and equipment	10	178		243	
Intangible assets	11	2,250		<u>3,034</u>	
<b>Total non-current assets</b>			<b>2,428</b>		3,277
<b>Current Assets</b>					
Trade and other receivables	14	530		833	
Cash and Cash Equivalents	15	2		<u>12</u>	
<b>Total current assets</b>			<b>532</b>		845
<b>Total assets</b>			<b>2,960</b>		4,122
<b>Current liabilities</b>					
Trade and other payables	17	(1,429)		<u>(2,413)</u>	
<b>Total current liabilities</b>			<b>(1,429)</b>		(2,413)
<b>Non-current assets plus/less net current assets/liabilities</b>			<b>1,531</b>		1,709
<b>Total assets less liabilities</b>			<b>1,531</b>		1,709
<b>Financed by:</b>					
<b>Taxpayers' equity</b>					
General fund			<u>1,531</u>		1,709
<b>Total Taxpayers' Equity</b>			<b>1,531</b>		1,709

Glenys Stacey

Accounting Officer for Ofqual

Date: 24 July 2013

The notes on pages 51 to 71 form part of these accounts

## Statement of cash flows for the year ended 31 March 2013

	2012-13	2011-12
Note	£000	£000
<b>Cash flows from operating activities</b>		
Net operating cost	16,749	16,132
Adjustment for non-cash transactions	8 (908)	(874)
Increase/(Decrease) in trade and other receivables	(303)	(127)
(Increase)/Decrease in trade payables	984	61
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	(10)	(24)
<b>Net cash outflow from operating activities</b>	<b>16,511</b>	<b>15,169</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	10 0	0
Purchase of intangible assets	11 11	602
<b>Net cash outflow from investing activities</b>	<b>11</b>	<b>602</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year	16 16,512	15,746
<b>Net Financing</b>	<b>16,512</b>	<b>15,746</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the</b>	<b>(10)</b>	<b>(24)</b>
Payment of amounts due to the Consolidated Fund	0	0
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>(10)</b>	<b>(24)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15 12</b>	<b>36</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15 2</b>	<b>12</b>

The notes on pages 51 to 71 form part of these accounts

## Statement of changes in taxpayers' equity for the year ended

31 March 2013

	<b>General Fund</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2011</b>	2,021	2,021
Net Parliamentary Funding – drawn down	15,746	15,746
Net Parliamentary Funding – deemed supply	36	36
Supply payable/(receivable) adjustment	(12)	(12)
Comprehensive Expenditure for the Year	(16,132)	(16,132)
<b>Non-cash adjustments</b>		
Non-cash charges - auditors remuneration	8	50
<b>Balance at 31 March 2012</b>	<b>1,709</b>	<b>1,709</b>
Net Parliamentary Funding – drawn down	16,512	16,512
Net Parliamentary Funding – deemed supply	12	12
Supply payable/(receivable) adjustment	(2)	(2)
Comprehensive Expenditure to 31 December 2011	(16,749)	(16,749)
<b>Non-cash adjustments</b>		
Non-cash charges – auditors remuneration	8	49
<b>Balance at 31 March 2013</b>	<b>1,531</b>	<b>1,531</b>

The notes on pages 51 to 71 form part of these accounts

## Notes to the accounts

### Notes to the Accounts for the year ended 31 March 2013

#### 1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Ofqual for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofqual are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires Ofqual to prepare two additional primary statements. The Statement of Parliamentary Supply, and supporting Notes 3 and 4, show outturn against Parliamentary Estimate in terms of the net resource requirement and the net cash requirement.

##### 1.1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention. Ofqual has a small asset base, and property, plant, equipment and intangible assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2012-13 FReM. Revaluation adjustments are not expected and have not been used in preparing these accounts.

#### 1.2 Accounting Policies

##### 1.2.1 Valuation of Non-Current Assets

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

##### 1.2.2 Depreciation and Amortisation

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



Asset lives are in the following ranges:

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

### **1.2.3 Operating and Other Income**

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

### **1.2.4 Programme and Administration Expenditure**

Costs are separated between Programme and Administration costs in accordance with the FReM 11.3.3. While all of Ofqual's costs are directly linked to delivering a frontline service, programme costs are those defined by the FReM and include certain staff and information systems costs. Administration costs are those that remain.

### **1.2.5 Pensions**

Past and present employees are covered by the provisions of the PCSPS. PCSPS defined benefit schemes are unfunded and Ofqual recognises contributions payable for the year. Further pension details are contained in the Remuneration Report and in Note 7.

### **1.2.6 Leases**

Leases are accounted for in accordance with the International Accounting Standard 17, Leases. Classification is made at the inception of the relevant lease.

Ofqual has an operating lease involving the payment of rent for accommodation.

### **1.2.7 Value Added Tax**

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

### **1.2.8 Contingent Liabilities and Contingent Assets**

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

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

### **1.2.9 Financial Assets and Liabilities**

Ofqual holds the following financial assets and liabilities:

1. Assets:
  - cash and cash equivalents
  - trade receivables – current
2. Liabilities:
  - trade and other payables – current

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

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

### **1.3 Impending Application of Newly Issued Accounting Standards Not Yet Effective**

Ofqual has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and/or the FReM) that affect on the current period, have had an impact on a prior period, or may have an effect on future periods. Ofqual has also reviewed any new or amended

standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable (references to 'new IFRSs' includes new interpretations and new amendments to IFRS and Interpretations).

Ofqual has not applied IFRS 9, Financial Instruments, which became effective on

1 January 2013 as it is not considered to have a significant impact on the financial statements.

## 2. Net outturn

### 2.1 Analysis of net resource outturn by section

Staff costs comprise: Outturn							2012-13 Estimate		2011-12 Outturn	
Administration			Programme			Total	Total	Total	Net outturn	
Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure	Net expenditure	Net estimate	Net total outturn compared with estimate: saving		
Spending in Departmental Expenditure Limit										
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Voted	14,246	(523)	13,723	3,026	0	3,026	16,749	18,058	1,309	16,132

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

Ofqual had no annually managed expenditure in 2012-13 (2011-12: £nil)

Ofqual received no Non-Voted Monies

### 2.2 Analysis of net capital outturn by section

2012-13						2011-12
Outturn			Estimate			Outturn
Gross expenditure	Income	Net expenditure	Net expenditure	Net total outturn compared with estimate: saving		Net Outturn
Spending in Departmental Expenditure Limit						
£000	£000	£000	£000	£000	£000	£000
Voted	11	0	11	100	89	602

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

Ofqual had no annually managed expenditure in 2012-13 (2011-12: £nil)

Ofqual received no Non-Voted Monies

## 2.3 Analysis of gross resources expenditure by operating segment

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

The following table shows Ofqual's gross expenditure, income, depreciation and net expenditure for its operating segments.

<b>Segment</b>	<b>Gross expenditure £000</b>	<b>Income £000</b>	<b>Depreciation £000</b>	<b>2012-13 Net expenditure £000</b>	<b>2011-12 Net expenditure £000</b>
Regulation	5,721	(408)	359	5,672	5,786
Standards and Research	4,311	(71)	172	4,411	4,686
Policy and Engagement	1,498	(2)	73	1,569	
Risk and Markets	1,237	(2)	57	1,293	
Corporate and Business Services	3,646	(41)	198	3,803	5,660
Sub-total segment expenditure	16,414	(523)	859	16,749	16,132

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

Standards and Research includes our work relating to qualification and assessment standards.

Policy and Engagement's role is to engage with and influence policy makers and stakeholders, manage communications and information gathering.

Risk and Markets is an advisory function making proposals for improving market health and the management of risk,

Corporate and Business Services expenditure includes activities which contribute to the operation of the other segments but which are accounted for separately to better control and management of costs. These include the provision of legal advice and project and decision making support to regulatory activity.

Two new Directorates were created as a result of Ofqual reorganising during 2012-13. This involved the movement of certain activities from those Directorates detailed in 2011-12.

### 3.1 Reconciliation of net resource outturn to net operating cost

		2012-13 Outturn £000	2011-12 Outturn £000
Net resource outturn	2	16,749	16,132
Net operating cost in Statement of Comprehensive Net Expenditure		16,749	16,132

### 3.2 Outturn against final Administration Budget and Administration net operating costs

	2012-13 £000	2011-12 £000
Estimate - Administration cost limit	14946	15089
Outturn - Gross Administration Costs	14246	14243
Outturn - Gross Income relating to Administration Costs	(523)	(530)
<b>Administration Net Operating Costs</b>	<b>13,723</b>	<b>13,713</b>

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

		2012-13 Estimate £000	2012-13 Outturn £000	Outturn compared with estimate: saving £000	2011-12 Outturn £000
<b>Net resource outturn</b>	2.1	18,058	16,749	1,309	16,132
<b>Capital</b>					
Acquisition of property, plant and equipment	2.2	100	11	89	602
<b>Accruals adjustments</b>					
Increase/(decrease) in debtors		(400)	(303)	(97)	(90)
Increase/(decrease) in creditors		600	973	(373)	
Non-cash items		(1,028)	(908)	(120)	(874)
<b>Net Cash Requirement</b>		<b>17,330</b>	<b>16,522</b>	<b>808</b>	<b>15,770</b>

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

Ofqual received no income payable to the Consolidated Fund (2011-12: £nil)

## 6. Reconciliation of income recorded within the statement of comprehensive net expenditure to operating income payable to the consolidated fund

	Note	2012-13 £000	2011-12 £000
Operating income	9	523	530
Gross income		523	530
Operating income payable to the Consolidated Fund	5	0	0

## 7. Staff numbers and related costs

### 7.1 Staff costs comprise:

	2012-13			2011-12
	£000	Permanent staff £000	Others £000	Total £000
Wages and salaries	9,151	6,619	2,532	7,840
Social security costs	570	570	0	570
Pension costs	1,246	1,246	0	1,257
<b>Total net costs</b>	<b>10,967</b>	<b>8,435</b>	<b>2,532</b>	<b>9,667</b>

The change in staff costs between 2011-12 and 2012-13 reflects changes in Ofqual's structure and resourcing to better enable it to deliver its statutory duties. In 2012-13 Ofqual employed temporary staff to assist with the implementation of this organisational change, to cover maternity leave and to cover vacancies while permanent staff were recruited. The cost of other staff in 2011-12 was £0.9m.

## 7.2 Average number of staff employed

	2012-13			2011-12
	Total WTE	Permanent staff WTE	Others WTE	Total WTE
Resource activities	174.8	151.0	23.8	169.8
Capital projects	0.0	0.0	0.0	0.2
<b>Total</b>	<b>174.8</b>	<b>151.0</b>	<b>23.8</b>	170.0

## 7.3 Pension costs

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

The PCSPS is an unfunded multi-employer defined benefit scheme and Ofqual is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007<sup>10</sup>.

For 2012-13, employers' contributions of £1.215M (2011-12:£1.223M) were payable to the PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent (2011-12: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during 2012-13 to existing pensioners.

Members of staff can opt to open a partnership pension account, i.e. a stakeholder pension with an employer contribution. Employers' contributions of £31,302 (2011-12: £33,047) were paid to three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £2,604 (2011-12: £2,731). Contributions prepaid at that date were £nil (2011-12 £nil).

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<sup>10</sup> Details can be found on the Civil Service website <http://www.civilservice.gov.uk/pensions/>



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

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

Exit package cost band	2012-13			2011-12		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	4	4	0	0	0
£10,000 - £25,000	0	9	9	0	0	0
£25,000 - £50,000	0	2	2	0	0	0
£50,000 - £75,000	0	1	1	0	0	0
<b>Total number of exit packages by type</b>	0	16	16	0	0	0
<b>Total resource cost - £000</b>	<b>0</b>	<b>347</b>	<b>347</b>	<b>0</b>	<b>0</b>	<b>0</b>

Exit packages paid in 2012-13 relate to a voluntary exit scheme established to support the organisational restructure that was undertaken in the year. Departure costs were paid in accordance with paragraph 5(3) of Schedule 9 of the ASCL Act 2009 and in accordance with contractual arrangements. Exit costs are accounted for in full in the year of departure.

#### 8. Programme and Administration Costs

	2012-13			2011-12		
	Programme	Administration	Total	Programme	Administration	Total
	£000	£000	£000	£000	£000	£000
<b>Staff Costs</b>	<b>52</b>	<b>10,915</b>	<b>10,967</b>	51	9,617	9,668
<b>Non-cash items</b>						
Depreciation	65	0	65	121	0	121
Amortisation	794	0	794	703	0	703
Impairment	0	0	0	0	0	0
External audit fees	0	49	49	0	50	50
	<b>859</b>	<b>49</b>	<b>908</b>	824	50	874
<b>Other expenditure</b>						
Direct Operational Expenditure	1,757	1,171	2,928	1,208	1,405	2,613
Rent and Accommodation	0	1,229	1,229	0	1,393	1,393
IT	358	252	610	336	1,160	1,496
Recruitment, Training and Staff Related	0	525	525	0	482	482
Finance and Governance	0	106	106	0	136	136
	<b>2,115</b>	<b>3,283</b>	<b>5,398</b>	1,544	4,576	6,120
<b>Income</b>	<b>0</b>	<b>(523)</b>	<b>(523)</b>	0	(530)	(530)
<b>Total</b>	<b>3,026</b>	<b>13,723</b>	<b>16,749</b>	2,419	13,713	16,132

## 9. Income

	2011-12	
	£000	£000
Department for Employment & Learning (Northern Ireland)	384	397
Department for Children, Education, Lifelong Learning, & Skills (Wales)	38	22
Department for Business, Innovation, & Skills	0	3
Council for Curriculum, Examinations, & Assessment	102	95
Other income	0	13
<b>Total</b>	<b>523</b>	<b>530</b>

## 10. Property, plant and equipment

	Information Technology £000	Assets under construction £000	2012-13 Total £000
<b>Cost or valuation</b>			
At 1 April 2012	502	0	502
Additions	0	0	0
<b>At 31 March 2013</b>	<b>502</b>	<b>0</b>	<b>502</b>
<b>Depreciation</b>			
At 1 April 2012	259	0	259
Charged in year	65	0	65
<b>At 31 March 2013</b>	<b>324</b>	<b>0</b>	<b>324</b>
<b>Carrying amount at 31 March 2013</b>	<b>178</b>	<b>0</b>	<b>178</b>
Carrying amount at 1 April 2012	243	0	243
<b>Asset financing</b>			
Owned	178	0	178
<b>Carrying amount at 31 March 2013</b>	<b>178</b>	<b>0</b>	<b>178</b>
<b>2011-12</b>			
	Information technology £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>			
Net Cash Requirement	502	0	502
Additions	0	0	0
Reclassifications	0	0	0
<b>At 31 March 2012</b>	<b>502</b>	<b>0</b>	<b>502</b>
<b>Depreciation</b>			
At 1 April 2011	138	0	138
Charged in year	121	0	121
<b>At 31 March 2012</b>	<b>259</b>	<b>0</b>	<b>259</b>
<b>Carrying amount at 31 March 2012</b>	<b>243</b>	<b>0</b>	<b>243</b>
Carrying amount at 1 April 2011	364	0	364
<b>Asset financing</b>			
Owned	243	0	243
<b>Carrying amount at 31 March 2012</b>	<b>243</b>	<b>0</b>	<b>243</b>

## 11. Intangible assets

	Software	Assets under construction	2012-13 Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2012	4,068	20	4,088
Transfers from AUC	20	(20)	0
Additions	11	0	11
<b>At 31 March 2013</b>	<b>4,099</b>	<b>0</b>	<b>4,099</b>
<b>Amortisation</b>			
At 1 April 2012	1,054	0	1,054
Charged in year	794	0	794
<b>At 31 March 2013</b>	<b>1,848</b>	<b>0</b>	<b>1,848</b>
<b>Carrying amount at 31 March 2013</b>	<b>2,251</b>	<b>0</b>	<b>2,251</b>
Carrying amount at 1 April 2012	3,014	20	3,034
<b>Asset financing</b>			
Owned	2,251	0	2,251
<b>Carrying amount at 31 March 2013</b>	<b>2,251</b>	<b>0</b>	<b>2,251</b>
	Software	Assets under construction	2011-12 Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2011	3,486	0	3,486
Additions	582	20	602
<b>At 31 March 2012</b>	<b>4,068</b>	<b>20</b>	<b>4,088</b>
<b>Amortisation</b>			
At 1 April 2011	351	0	351
Charged in year	703	0	703
<b>At 31 March 2012</b>	<b>1,054</b>	<b>0</b>	<b>1,054</b>
<b>Carrying amount at 31 March 2012</b>	<b>3,014</b>	<b>20</b>	<b>3,034</b>
Carrying amount at 1 April 2011	3,135	0	3,135
<b>Asset financing</b>			
Owned	3,014	20	3,034
<b>Carrying amount at 31 March 2012</b>	<b>3,014</b>	<b>20</b>	<b>3,034</b>

## 12. Financial instruments

As Ofqual's cash requirements are met through the Estimates process, Ofqual is exposed to little credit, liquidity or market risk and financial instruments do not have the role in creating and managing risk that they would for a non public sector organisation of similar size.

### 12.1 Investments in other public sector bodies

Ofqual has no investments in other public sector bodies

## 13. Impairments

There were no impairments in 2012-13 (2011-12 £nil).

## 14. Trade Receivables and Other Current Assets

	2012-13 £000	2011-12 £000
<b>Amounts falling due within one year</b>		
Trade receivables	95	110
Prepayments and accrued income	229	310
VAT	206	413
	<b>530</b>	<b>833</b>

### 14.1. Intra-government Balances

	<b>Amounts falling due within one year</b>	
	2012-13 £000	2011-12 £000
Balances with other central government bodies	289	620
Balance with local authorities	13	13
Balances with bodies external to government	228	200
<b>Total receivables at 31 March 2013</b>	<b>530</b>	<b>833</b>

## 15. Cash and cash equivalents

	Note	2012-13 £000	2011-12 £000
Balance at 1 April 2012		12	36
Net changes in cash and cash equivalent balances	4	(10)	(24)
<b>Balance at 31 March 2013</b>		<b>2</b>	<b>12</b>

The following balances were held at:

Government Banking Services	2	12
<b>Balance at 31 March 2013</b>	<b>2</b>	<b>12</b>

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

	2012-13 £000	2011-12 £000
Net cash requirement	(16,522)	(15,770)
From the Consolidated Fund (Supply) – 31 March 2013	16,512	15,746
Increase/(decrease) in cash	4	(24)

## 17. Trade payables and other current liabilities

	2012-13 £000	2011-12 £000
<b>Amounts falling due within one year</b>		
Other taxation and social security	200	216
Trade payables	84	324
Other payables	238	739
Accruals and deferred income	905	1,122
Amounts issued from the Consolidated Fund supply unspent at year end	2	12
<b>Total at 31 March 2013</b>	<b>1,429</b>	<b>2,413</b>

### 17.1 Intra-government Balances

	Amounts falling due	
	2012-13 £000	2011-12 £000
Balances with other central government bodies	358	346
Balances with bodies external to government	1,071	2,066
<b>Total at 31 March 2013</b>	<b>1,429</b>	<b>2,413</b>

## 18. Provisions for liabilities and charges

Ofqual had no liabilities that required a provision in 2012-13 (2011-12 £nil)

## 19. Capital commitments

There were no capital commitments or non-cancellable contracts at 31 March 2013 (31 March 2012: £nil).

## 20. Commitments under leases

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

	<b>2012-13</b>	2011-12
	<b>£000</b>	£000
<b>Buildings</b>		
Not later than one year	417	417
Later than one year and not later than five years	1,609	1,609
Later than five years	0	382
	<b>2,026</b>	<b>2,408</b>
<b>Other</b>		
Not later than one year	5	6
Later than one year and not later than five years	5	10
Net Cash Requirement	<b>10</b>	<b>16</b>

The building operating leases relate to Ofqual's offices in Coventry and Belfast. Ofqual is committed to the lease on the Coventry Office until March 2018. Current Cabinet Office guidelines stipulate that when leases expire, we are obliged in the first instance to consider relocating to suitable existing properties within the Civil Service Estate.

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

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

## 22. Contingent liabilities disclosed under IAS 37

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

## 23. Contingent Assets disclosed under IAS 37

The Court granted Ofqual leave to recover its costs following its dismissal of the application for judicial review previously noted. We are in the process of pursuing recovery.

## 24. Losses and special payments

During 2012-13 Ofqual made no special payment that required reporting (2011-12: £nil).

## 25. Related-party transactions

### 25.1 Other government transactions

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

Ofqual had the following payment transactions with other government departments and other central

	<b>£000</b>
Land and Property Services	2
GovNet Communications	6
National School of Government	1
Others	2
<b>Total</b>	<b>11</b>

Ofqual received income in the year from other government bodies

	<b>£000</b>
Department for Children, Education, Lifelong Learning, & Skills (Wales)	38
Council for Curriculum, Examinations and Assessment (Northern Ireland)	102
Department for Employment and Learning (Northern Ireland)	384
<b>Total</b>	<b>523</b>



## 25.2 Board members' directorships

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31 March 2013 are given below.

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

Name	Board directorships and other significant interests during 2012-13
Tim Balcon	Director, Ashby Interim Management
Sandra Burslem	Deputy Chair, the Higher Education Funding Council for Wales  Chair, Chetham's School of Music, and Feoffee of Chetham's School and Hospital Trust  Member, the Board of the Royal Northern College of Music
Ray Coughlin	No board directorships or other significant interests
Philip Fletcher	Chairman, Ofwat (to 31 October 2012)  Member, the Archbishops' Council for the Church of England  Chair, the Mission and Public Affairs Council of the Church of England  Member, the Advisory Council of the European Policy Forum
Maggie Galliers	Principal, Leicester College (to 31 December 2012)  Member, NIACE Board (to November 2012)  Chair, NIACE Board (from November 2012)  Member, the HEFCE Teaching, Quality and the Student Experience Committee  President, Association of Colleges (from 1 August 2012)

Anne Heal	<p>Managing Director, Strategy and Propositions, Openreach, part of BT</p> <p>Director / Charity Trustee, Unicorn School, Kew</p>
Denise Holt	<p>Non-executive Director, HSBC Bank plc</p> <p>Non-executive Director, Scottish Power Renewable Energy Ltd</p> <p>Member, the NHS Pay Review Body</p> <p>Independent Chair of Nominations, Alzheimer's Society</p> <p>Chair, the Anglo-Spanish Society</p> <p>Member of the Management Council of the Canada Blanch Centre for Contemporary Spanish Studies, LSE</p> <p>Chair, The Institute for the Study of the Americas, University of London</p> <p>Trustee, Foreign and Commonwealth Office Library, Kings College London</p> <p>Member, The Wilton Park Advisory Council (FCO discussion centre)</p> <p>Member, The International Advisory Council, Birmingham University</p> <p>Associate Member, BUPA</p> <p>Political and Consultancy Services Mentoring</p>
Barnaby Lenon	<p>Chairman, Independent Schools Council</p> <p>Director, Lenon Education Ltd.</p> <p>Governor, Chelsea Academy</p> <p>Governor, London Academy of Excellence</p> <p>Consultant, GEMS Ltd (Dubai)</p>

Amanda Spielman	<p>Director of Research and Development, ARK Schools (to January 2013)</p> <p>Education Advisor, Absolute Return for Kids, ARK (from January 2013)</p> <p>Council Member, Institute of Education</p>
Glenys Stacey	No board directorships or other significant interests
Roger Taylor	<p>Director of Research and Public Affairs, Dr Foster Ltd</p> <p>Trustee, the Open Public Services Network at RSA</p> <p>Trustee Co-ordinated Action Against Domestic Abuse</p>
Thomas Taylor	<p>Chairman, the Meat and Livestock Commercial Services Ltd</p> <p>Chief Executive, the Agricultural and Horticultural Development Board</p> <p>Director, Meat and Livestock Commission Pension Scheme</p>
Neil Watts	<p>Board member, Architects Registration Board</p> <p>Board member, Press Complaints Commission (to July 2012)</p> <p>Public Commissioner, Press Complaints Commission (from July 2012)</p>
Julius Weinberg	<p>Vice Chancellor, Kingston University</p> <p>Board member, London Higher</p> <p>Board member, St George's, University of London</p> <p>Governor, Latymer Upper School, Hammersmith</p>

## 26. Third-party assets

Ofqual holds no third-party assets.

**27. Entities within the department boundary**

Ofqual is the only body within its departmental boundary.

**28. Events after the reporting period**

The financial statements were authorised for issue on 28 June 2013 by Glenys Stacey who is the Chief Regulator and Ofqual's Chief Executive and Accounting Officer. There have been no events after the reporting period requiring an adjustment to the financial statements.





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